

SBA 7(a) Loan Program Explained

Obtaining financing for your business ventures is often challenging for entrepreneurs. From being in the startup phase to growing your business, you may face difficulties with the requirements of traditional bank loans. But the 7(a) Program may be able to help – it's SBA's primary and most popular program. Here's some insight to see if this is the right option for you.

Am I eligible?

If you can demonstrate a need for funds and have a sound business purpose in mind, you're on the right track. To be considered eligible for the SBA 7(a) Loan Program, your business must meet SBA's size standards and be considered small within your particular industry, operate for profit and you must have reasonable equity to invest.

You're also required to do, or propose to do business, in the United States or its possessions. Another eligibility requirement is that you must have tried to use other financial resources, including personal assets, before applying for a loan.

How can I use 7(a) funds?

The 7(a) Program lets you get loan amounts (up to \$5 million) to fund startup costs, buy equipment and more. Here's what else you can do with 7(a) funds:

- Owner-Occupied Commercial Real Estate (not limited to traditional bank credit cultures of 60-75% LTV but able to even go higher due to SBA guidelines)
- Purchase new land (including construction costs)
- Repair existing capital
- Purchase or expand an existing business
- Refinance existing debt
- Purchase machinery, furniture, fixtures, supplies or materials

What are the benefits?

The 7(a) Program offers flexibility, longer terms and potentially lower down payments compared to other financing options

What are the repayment terms?

Most 7(a) term loans are repaid with monthly payments of principal and interest. For fixed-rate loans, the payments stay the same because the interest rate is constant. For variable-rate loans, the lender can require a different payment amount when the interest rate changes.

What else should I know?

Keep in mind that SBA doesn't fund these loans directly to small business owners, but banks receive a guarantee that the SBA will repay a portion of the loan if you default on payments.

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