

U.S. Small Business Administration

FY25 Loan Program Overview – January 8, 2025

When Do Lenders Use SBA?

They believe the borrower can pay the loan back, but…

- Collateral is inadequate
- Cash flow is projected
- It’s a start up
- It’s a business acquisition
- The industry is shaky
- The borrower has minimal cash to inject
- The borrower needs a longer term than normally allow
- The borrower has had past credit issues
- The lender just needs a little something extra to get to yes…

Basic SBA Eligibility

- Borrower must be a for profit business
- Cannot be a passive business*
  - Eligible Passive Businesses (EPCs) do qualify
- Must be “small” based on SBA Size Requirements
- Borrowers must **NOT** be on probation, parole, under indictment for a felony or any crime involving financial misconduct or false statement
- Borrower cannot be engaged in Lending or loan packaging services
- Must be located in the US
- Must be owned by a US Citizen or Eligible non-US Citizen
- Cannot be involved in illegal activity*
- Cannot restrict patronage
- Cannot have a prior loss to the Government or Delinquent Federal Debts

Program Benefits - Mitigate Risk & Retain Relationships Locally

- Regular 7(a) Loans (up to $5 million) & Small 7(a) (up to $500,000)
  - Term Loans
  - Loans of $150,000 & less – 85% Guaranty
  - Loans of greater than $150,000 – 75% Guaranty
- Working Capital Pilot Program (WCPP)
  - Line of Credit
  - 5 year term
  - Max loan amount of $5 million regular 7(a) guaranty percentages & fees
- CapLines (Working, Seasonal, Contracting, & Builders)
  - 10 Year LOC (Working, Seasonal, Contracting)/5 Year Line of Credit (Builders)
  - Up to $5 million
  - 75%/85% guaranty
- SBA Express – Loans up to $500,000
  - 50% Guaranty
  - Term Loans & Lines of Credit
- Export Loan Programs
  - International Trade (IT) & Export Working Capital Program (EWCP) – 90% guaranty up/$5 million
  - Export Express –up to $500,000 Guaranty of 75% for loans over $350,000; 90% for loans of $350,000 or less
- 504 Loan
  - 50% LTV - 1st lien position
  - Reduced Equity Injection Required of the Borrower

7(a) Loan Fees

Guaranty fee – Bank pays fee then is reimbursed by borrower. May be passed on to Borrower after first disbursement.

Greater than 12 Months

- $1,000,000 or less – 0%
- $1,000,001 to $5 million = 3.50% of the guaranteed portion up to $1 million, plus 3.75% of the guaranteed portion over $1 million

Up to 12 Months

- $1,000,000 or less = 0%
- Greater than $1,000,000 = 0.25% of the guaranteed portion

Annual Service Fee (paid by lenders)

- $500,000 and less – 0%
- $500,001 up to $1,000,000 = 0.17 of the guaranteed portion of the outstanding balance of the loan
- $1,000,001 to $5,000,000 = 0.55% of the guaranteed portion of the outstanding balance of the loan

(Notice 5000-858936)

7(a) Loan Fees – Export Working Capital Program (EWCP)

Guaranty fee – Bank pays fee then is reimbursed by borrower. May be passed on to Borrower after first disbursement.

- For EWCP loans of $1,000,000 or less (regardless of maturity): the Upfront Fee is 0.00%.
- For EWCP loans greater than $1,000,000 with a maturity of 12 months or less: the Upfront Fee is 0.25% of the guaranteed portion.
- For EWCP loans greater than $1,000,000 with a maturity of 13 up to 24 months: the Upfront Fee is 0.525% of the guaranteed portion.
- For EWCP loans greater than $1,000,000 with a maturity of 25 up to 36 months: the Upfront Fee is 0.80% of the guaranteed portion.
- When an EWCP loan greater than $1,000,000 is extended beyond the original maturity date, an additional Upfront Fee may be due to SBA based on the fee schedule above.

7(a) Loan Fees – Working Capital Pilot Program (WCPP)

Guaranty fee – Bank pays fee then is reimbursed by borrower. May be passed on to Borrower after first disbursement.

- For Working Capital Pilot loans of $1,000,000 or less (regardless of maturity)the Upfront Fee is 0.00%.
- For Working Capital Pilot loans greater than $1,000,000 with a maturity of 12 months or less the Upfront Fee is 0.25% of the guaranteed portion.
- For Working Capital Pilot loans greater than $1,000,000 with a maturity of 13 up to 24 months: the Upfront Fee is 0.525% of the guaranteed portion.
- For Working Capital Pilot loans greater than $1,000,000 with a maturity of 25 up to 36 months: the Upfront Fee is 0.80% of the guaranteed portion.
- For Working Capital Pilot loans greater than $1,000,000 with a maturity of 37 up to 48 months: the Upfront Fee is 1.075% of the guaranteed portion.
- For Working Capital Pilot loans greater than $1,000,000 with a maturity of 49 up to 60 months: the Upfront Fee is 1.35% of the guaranteed portion.
- When a Working Capital Pilot loan greater than $1,000,000 is extended beyond the original maturity date, an additional Upfront Fee may be due to SBA based on the fee schedule above.

Other Important Information/"Special" Situations in SBA Lending

Personal Guarantors, Real Estate Purchase, Change of Ownership

- Personal Guaranty
  - All 20% or greater owners must guaranty the loan (6 month look back at ownership)
  - If no one owns 20% or more, there still must be a guarantor with a heartbeat
  - The Lender can require additional guarantors
  - Guarantors cannot be released without prior SBA approval
- Real Estate Holding Companies/Passive Businesses Are Not Eligible But…
  - Eligible Passive Companies (EPC) …
    - Must lease 100% of the real estate to an Operating Company (OC)
    - The OC must occupy at least 51% of the rentable property for existing buildings/60% for new construction w/intent to occupy all
      - Loan Proceeds must NOT be used to improve rentable property
      - The Lease must be **in writing** with renewable terms for the life of the loan AND for **no more than** the carrying costs associated with the real estate (loan expense, taxes, etc.)
    - If the loan includes working capital the OC must co-borrow, if not, the OC must at a minimum guaranty the loan
- Change of Ownership
  - Only time SBA has a hard rule requiring an equity injection
    - 10% of the total project cost for Regular 7(a) loans (greater than $500,000)
    - Can include seller financing that meets SBA requirements
  - Can be used for partial change of ownership
  - Business will be the borrower (or at least a co-borrower)

Other Financing Options

SBA Microloans, FAME, State & Local

- SBA Microlenders –
  - CEI, Androscoggin Valley Council of Governments (AVCOG), Community Concepts, & Northern Maine Development Commission (NMDC)
  - Up to $50,000 with a maximum term of 7 years (NO balloon payments allowed, must fully amortize)
- SBA Community Advantage Lenders
  - Eastern Maine Development Corp (EMDC) (Maine Based)
- SBA's Lender Match or FAME's Maine Lending Network
- Finance Authority of Maine (FAME) Direct Loan Programs: Direct Loan Programs - FAME Maine
- FAME Commercial Loan Insurance (Guaranty)
- Maine Technology Institute (MTI) – SBIR/STTR & others
- Maine International Trade Center (MITC) – STEP Grants
- Alternative lenders/Councils of Government (AVCOG, KVCOG, GPCOG, etc.)
- USDA/RD (Rural Development) & FSA (Farm Service Agency)
- City & Town Revolving Loan Funds

Side by Side SBA/FAME Fee Comparison

Guaranty Type	SBA Express	SBA Small 7a	SBA 7a	SBA 7a
Loan Amount	$500,000	$500,000	$750,000	$1,500,000
Guaranty Percentage	50%	75%	75%	75%
Guaranteed amount	$250,000	$375,000	$562,500	$1,125,000
Guaranty Fee %	0%	0%	0%	3.5% on first $1million; 3.75% on guaranteed portion over $1 millon
SBA Fee Amount	$0	$0	$0	$39,688
SBA ongoing Guaranty Fee (paid by the bank via 1502 reporting)	0%	0%	0.17%	.55%

Guaranty Type	FAME OLA	FAME OLA
Loan Amount	$500,000	$ 1,500,000
Insurance Percentage	75%	75%
Insured amount	$375,000	$ 1,125,000
FAME Commitment Fee %	0.50%	0.50%
Fame Commitment Fee amount	$ 1,875	$ 5,625.00
FAME Annual Fee	1%	1.25%
FAME Annual Fee amount	$ 3,750.00	$ 14,062.50
FAME 3-year Fee %	2.75%	3.50%
FAME 3-year Fee amount	$ 10,312.50	$ 39,375.00
FAME 5-year Fee %	3.95%	4.95%
FAME 5-year fee amount	$19,750.00	$ 55,687.50

After 3- or 5-year fee expires; 1-year annual fee is automatically charged on FAME loans

*Term loans Only for FAME ProRata Insurance & SBA 7a

SBA EWCP & WCP lines of credit have reduced fee structures

SBA Express LOC fees are the same

Examples are loans with maturity of greater than 12 months.

Counseling/Training Resources

- Maine Small Business Development Centers –
  - www.mainesbdc.org
- SBA Women's Business Centers at CEI
  - www.ceimaine.org/women
- SCORE
  - www.SCORE.org
- Veterans Business Outreach Centers
  - www.CWEonline.org/VBOC
- Maine International Trade Center
  - www.MITC.com
  - STEP Grants
- Maine Technology Institute
  - www.mainetechnology.org
  - SBIR/STTR Funding
- APEX
  - www.maineapex.com

www.sba.gov/local-assistance

US Small Business Administration
Maine District Office

- Diane Sturgeon, District Director, 207-622-8286; diane.sturgeon@sba.gov
- Tim Hobbs, Deputy District Director, 207-622-8380; timothy.hobbs@sba.gov
- Jim Pineau, Senior Area Manager, Northern Maine, 207-945-2021; james.pineau@sba.gov
- Brad Currie, Senior Area Manager, Southern Maine, 207-248-9040; bradley.currie@sba.gov
- Bill Card, Economic Development Specialist, 207-622-8555; william.card@sba.gov
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Questions?



U.S. Small Business Administration

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Thank You!