

Business Tips

SBA Express Loan Program

Most small businesses will need financing at some point whether they are starting a business or expanding their current business. Is your small business in need of financing? If the answer is yes to this question then you may be interested to know of a U.S. Small Business Administration (SBA) loan program made through lenders called the SBA Express Loan. Most local banks are SBA lenders and can decide to make a conventional in-house commercial loan or seek an SBA guarantee using a program such as the SBA Express Loan. Below are some details of this loan program.

The SBA Express Loan is designed to help small businesses receive financing more quickly than the traditional SBA 7(a) loan program. The program is quick for the borrower because the lender can use their own forms instead of the many SBA forms required for the 7(a) loan. Also when the lender sends the loan package to the SBA, they will get an answer within 24 to 36 hours or less.

Like the 7(a) loan, the Express loan gives the lender a guarantee, which in this case is 50%. The guarantee means the lender has 50% of the loan guaranteed by the SBA in case the loan goes into default. This gives the lender a level of security and should make it easier for them to say yes. Another feature to this loan program is the first \$25,000 of the loan can be unsecured, meaning no collateral is required up to this amount as long as the lender agrees. Any amount from \$25,000 up to the maximum loan size of \$350,000 will require collateral, meaning you will have to pledge assets, cash or otherwise to secure the loan.

Keep in mind most SBA loan programs are offered through lenders. The lender will make the credit decisions and will retain the loan at the bank. It is up to the lender if they wish to seek an SBA guarantee for any commercial loan they are considering or if they wish to make the loan at all.

As with any application for a commercial loan, you will need a narrative or business plan on your business. In addition, you will need financial projections for two years such as a profit and loss projection, as well as a cash flow and a balance sheet projection. You will also need copies of the previous three years of your personal tax returns as well as the previous three years business tax returns and financial statements if you are an existing business.

Despite some common myths about SBA loans, this program does not offer low interest rates, in fact the lender is allowed to charge above normal rates if they so choose. Also this loan program is open to any small business regardless of gender or minority status.

Ask your lender if they participate in the SBA's Express Loan Program. If they do not, they may contact the SBA to sign up as an Express lender. The advisors at the ASU Small Business Development Center are ready to help you or your lender with any aspect of the SBA Express Loan Program.

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