

## *SBA Frequently Asked Questions*

### **How do I get started in a business?**

The U.S. Small Business Administration (SBA) provides a wealth of information on starting a business at the SBA home page (<http://www.sba.gov/>) under "Small Business Planner." Within this category you will find information on entrepreneurship, writing a business plan, and managing and growing your business. You may also take advantage of SBA's resource partners. Both the Service Corps of Retired Executives (SCORE) and the Small Business Development Centers (SBDC) provide free one-on-one counseling to those interested in starting and expanding a business. This includes critiquing your business plan, legal requirements, marketing, and licenses needed for your business.

### **How do I get a tax identification number?**

For a Federal Tax ID number, please contact the Internal Revenue Service for Form SS4. This Form is available through their web site at <http://www.irs.gov/pub/irs-pdf/fss4.pdf>. You may call the IRS at 1-800-829-1040 and ask for the Small Business Tax Kit #454.

Tax information for starting a business can be found by going to <http://www.irs.gov/businesses/index.html>. You will need to contact the Department of Revenue for state taxes (if any). Please consult your local telephone directory in the "State Government" section for the office in your state.

### **How do I know if my business is eligible for a SBA loan?**

Most businesses are eligible. Your business must:

- Be for-profit;
- Be engaged in, or propose to do, business in the United States;
- Have reasonable owner equity to invest;
- Use alternative financial resources first, including personal assets.

The SBA has standards that define the maximum size of an eligible small business. Here are general definitions that in some cases are defined by specific Standard Industrial Classification (SIC) code:

- Manufacturing — no more than 500 employees
- Retail and Service — up to \$13.5 million in annual sales
- Construction — up to \$17 million in annual sales
- Agriculture — up to \$500,000 in annual sales
- Wholesale — no more than 100 employees

Some exceptions apply. Call (972) 731-4306 for more information.

**What are the advantages of SBA financing for my business?**

- SBA financing offers longer terms than what would otherwise be available, such as repayment terms of up to 25 years fully amortized (with no balloon payment).
- SBA loans require smaller down payments than those typically required from conventional lenders. Some down payments are as little as 10%.
- Smaller down payments and longer repayment terms allow borrowers to retain more of their cash which in turn preserves working capital for the needs of the business.
- Unlike many conventional loan programs, SBA financing is available for most industry types including (but not limited to) special use properties such as: hotel/motels, gas station/c-stores, restaurants, car washes and day care centers.
- In the underwriting process SBA lenders are able to consider both the historical and projected cash flows of the business. This is of particular benefit to rapidly growing businesses that may not demonstrate 3 full years of historical repayment ability.

**What can the funds be used for?**

SBA loans can help growing businesses purchase, construct or renovate owner occupied commercial real estate, acquire fixed assets such as machinery and equipment, refinance business debt and fund the acquisition of existing businesses. Virtually any business purpose can qualify for a long-term, SBA guaranteed loan, including:

- Commercial real estate purchase
- Construction
- Business acquisition or expansion
- Equipment/Inventory purchase
- Refinance
- Working Capital

**What type of collateral do I need for a loan?**

Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process but good character, management capability, collateral, and owner's equity contribution are also important considerations. All owners of twenty percent (20%) or more of the business are required to personally guarantee SBA loans. While the SBA does not deny approval for a SBA guaranty loan solely due to lack of collateral, it can be used as a reason in addition to other credit factors.

**What amount of equity will I be expected to have in my financing request?**

Down payments (also known as "equity injection") are as little as 10% of your project costs.

**Do I need to be a United States Citizen to obtain a SBA Loan?**

No, you do not need to be a U.S. Citizen, however you must have legal residency status.

**I've had a bankruptcy in my past. Can I still get a SBA loan?**

Yes. We will review your credit history, and work with you to understand the reason you had a bankruptcy. A bankruptcy does not exclude you from obtaining a loan if you have valid reasons, and if you have taken good care of your credit in recent years.

**How do I apply for a loan?**

Call us at (972) 731-4306 or download our SBA loan application online at [www.southwestsecuritiesfsb.com](http://www.southwestsecuritiesfsb.com).

**What happens after I apply?**

The loan application will go to a specialized credit team to determine if you qualify under Southwest Securities, FSB credit standards, as well as SBA eligibility guidelines.

**What is a Preferred Lender?**

Under the Preferred Lenders Program (PLP), the SBA delegates loan approval, closing, and most servicing responsibilities to carefully selected lenders. As a PLP lender, Southwest Securities, FSB has demonstrated a proficiency in processing and servicing SBA-guaranteed loans.