

# What the SBA Actually Does for Small Business

## CAPITAL

The SBA provides access to capital through a variety of programs.

CREDIT PROGRAM	BORROWER	LENDER	HOW IT WORKS	SBA'S ROLE	WHERE IT STANDS
7(A) LOAN	Can borrow up to \$2 million, depending on the type of 7(a) loan, for most any business purpose, including working capital	Commercial bank, credit union, or financial service company	Bank typically makes loan for 7 to 10 years; collateral is usually required. For standard 7(a) loans, the top interest rate ranges from 2.25 percent over prime to 4.75 percent over prime.	SBA approves the loan and guarantees up to 85 percent of its value. With the easier-to-apply-for Express loans, the guaranty is 50 percent and the bank approves the loan.	Still the SBA's bread-and-butter loan program, but last year the total dollars loaned fell nearly 4 percent to \$13.7 billion.
504 LOAN	A manufacturer can borrow up to \$4 million for fixed assets like real estate or equipment. Firms in other industries can borrow up to \$2 million.	Commercial bank and a nonprofit Certified Development Company	Typically, the borrower makes a 10 percent down payment. The lenders set interest rates separately. The bond market determines development company's rate.	SBA approves and guarantees all of the development company's portion of the debt, which is packaged with other loans and sold as a bond on Wall Street.	The 504 is the SBA's fastest-growing loan program. The Bush administration has proposed eliminating up-front fees for borrowers.
MICROLOAN	Very small businesses, often in-home and held by low income or minority owners, can borrow up to \$35,000 for general business purposes.	Nonprofit or government-affiliated community development organization, or Native American tribal agency	Organization makes loan of up to six years, typically at about 9.5 percent interest, and provides technical assistance to borrower.	SBA provides a large direct loan to the community organization, which in turn re-loans the funds to its clients. The intermediary is expected to repay the SBA even if its clients default.	After years of trying to kill the microloan program, the Bush administration has relented, proposing instead to make it zero-subsidy.
VENTURE CAPITAL	Can borrow or exchange equity stake for early-stage financing	Small Business Investment Company, a private, for-profit investment fund	SBICs leverage private investment with government-borrowed money. Debenture SBICs usually loan the money to firms. Participating security SBICs exchange money for equity.	Money lent to SBICs is pooled and sold on the capital market; the SBA guarantees payment to those investors. The SBA receives a profit share for participating security SBICs.	Worried about defaults, the SBA no longer licenses new participating security SBICs, by its own admission removing "the primary method by which the SBA can provide access for small businesses to equity capital!"

## CONTRACT ASSISTANCE

### How to penetrate the bureaucracy

The SBA's Office of Government Contracting helps small businesses break into the government market. The SBA marshals resources and explains regulations; SBA Procurement Center representatives and other staff counsel small firms on penetrating the bureaucracy. The SBA establishes size standards for small companies.

Within the government, the SBA sets the terms by which agencies award contracts to small businesses. It negotiates goals with each department to funnel work for small firms that across the government are supposed to add up to 23 percent of all prime contract dollars, as well as smaller goals for women, the disadvantaged, and disabled veterans.

## COUNSELING

### Where to get help

In addition to providing staff at the district offices, the SBA offers (and funds) counseling and technical assistance through several channels:

#### SCORE

A nonprofit association with 10,500 volunteers in 389 chapters, the Service Corps of Retired Executives offers individual counseling and seminars—especially to start-ups. In 2006, the SBA provided \$5 million, or 90 percent of SCORE's operating budget.

#### SMALL BUSINESS DEVELOPMENT CENTERS

Often found on college campuses, SBDCs offer services similar to SCORE, though they tend to be directed more toward existing businesses. SBDCs usually locate a small-business library in a corner of the office.

#### WOMEN'S BUSINESS CENTERS

There are 99 Women's Business Centers across the U.S. In recent years, the SBA has attempted to cut off funding for WBCs, without success. For 2008, the agency proposes a slight funding decrease.