



Q: What is the full name of SBA?

# SBA

## Small Business Administration

Founded in 1953, SBA is part of the Federal Government which has delivered millions of loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses.

Q: How much money does SBA  
have for lending?

## **SBA Guaranteed Lending**

- The SBA does not make loans directly to small businesses. Rather it guarantees a percentage of the loan, reducing risk to the lenders and increasing the possibility that small businesses will obtain financing that might not be available through traditional lending channels.
- Funds from SBA Loans can be used to help established businesses grow and new businesses get started.

**Q: What are the two most common SBA loan programs?**

## Major Lending Programs:

- SBA 504 – for long-term asset purchase
- SBA 7a – general purpose loan. It can be used for:
  - Starting up a new business
  - Purchasing a business
  - Business expansion
  - Capital expenditure
  - Real estate purchase
  - Permanent working capital
  - Refinancing existing business loans
  - Any other legitimate business use

Q: Name ONE advantage of a SBA loan vs conventional loan



## Conventional vs SBA loans:

### +SBA Loans:

- Lower injection (“down payment”)
- Longer term
- Rate is limited by SBA
- No or low prepayment penalty
- Future consideration
- Less conservative in underwriting

### +Conventional:

- Less restrictive use
- Loan amount
- Less paper work

## **SBA SOP – Standard Operating Procedure**

- A thousand pages of documents provided by SBA detailing the entire SBA lending program
- Eligibility
- Underwriting
- Requirements for closing
- Servicing
- Buy-back
- SBA SOP vs. Bank guideline

Q: Name an industry NOT eligible  
for SBA lending

## **Eligibility – Industry / Size / Use of proceed**

- No non-profits
- No illegal business activity under Federal standard
- No gambling business
- Has to be “Small”
- Cannot use proceed for lending
- No personal use
- No reimbursement to owner

Q: Does SBA loan require  
personal guarantee?

## **Eligibility – Ownership Related Information**

- Personal guaranty required
- 20% ownership rule
- Permanent Residents / Citizenship
- Personal assets
  - Liquid cash & securities
  - Real estate
  - 80% rule for real estate
- Non-profit owner may be ok
- Affiliation

Q: Name the single most important factor for startup lending

## Startup Lending

- YES!
- Historical vs projection
- Injection requirement – 10% min rule
- Experience is the key
- Other factors:
  - Business nature
  - Credit
  - Net worth & liquidity
  - Other source of income
- Use of proceed



Q. Is Fremont Bank a Certified SBA Lender or a Preferred SBA Lender?

## **Preferred Lender Program (PLP)**

- SBA 7a lender can apply to be a PLP lender after successfully making several 7a loans and servicing them over a few years
- A PLP lender can make decision on behalf of SBA. No need to seek SBA approval after bank's approval.
- Much more streamline in funding
- Fremont Bank became a preferred lender since Jan 2018, 2 years after being a certified lender.

Q. What is the #1 complaint for SBA lending?

## Lender Selection

- Most common complaints:
  - Can't deliver
  - Bait and switch
  - Takes too long
- Considerations:
  - ✓ Nature of the request
  - ✓ Lender appetite
  - ✓ Loan amount
  - ✓ PLP
  - ✓ Published Ranking
  - ✓ \*\*\* Banker's knowledge \*\*\*

## Lender Selection

- Big banks:
  - Existing business
  - Strong cash flow
  - Real estate
  - Not in a hurry
  - Cheapest
- Micro lenders:
  - ✓ Loan amount under \$250,000
  - ✓ Mostly non-profits
  - ✓ SBA.gov -> Find a lender

## Underwriting

- Like a scale
- Will you invest your own money?
- SBA loan is not VC money!



Business Type	City / State	Loan Purpose	Total
Professional service	Oakland, CA	CRE purchase	\$269,800
Fitness / Gym	Brentwood, CA	Business acquisition	\$380,000
IT Services	Livermore, CA	Business acquisition	\$1,105,000
Health club	Alameda, CA	CRE Refinance	\$5,000,000
Restaurant	San Leandro, CA	Startup	\$985,000
Professional service	San Diego, CA	CRE purchase	\$382,500

Business Type	City / State	Loan Purpose	Total
After school	Alamo, CA	Business and CRE purchase	\$1,750,000
Medical device	Milpitas, CA	Startup	\$350,000
Beauty	Alameda, CA	CRE refi	\$525,000
Restaurant	Pleasanton, CA	Startup	\$350,000
B2B service	San Ramon, CA	Refi + new trucks + WC	\$1,300,000
Contractors	Vacaville, CA	Business and CRE purchase	\$1,530,000
Professional service	Richmond, CA	Partner buyout	\$574,000

**Success Through Partnership**



# Q & A

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