



STRATEGIES FOR Success

Small Business Loans

A Small Business Loan Can Help Your Business Expand & Prosper—and may be easier to obtain than you think.

Every year, thousands of small business owners are rejected for loans. This rejection comes from banks, savings and loans, credit unions and loan companies. Because of this, many of these undercapitalized businesses become a bankruptcy statistic.

On the other hand, Small Business Administration (SBA) loans have helped thousands of small companies get started, expand and prosper. While SBA does not make the loan, they guarantee up to 90% of the loan to the lending bank in the event of a possible default. The SBA guarantee loan is limited to \$750,000; micro loans of less than \$25,000 are also available, as are special programs for women and minorities.

The loan terms are very generous. Loans for working capital cannot exceed seven years and loans used to finance fixed assets, other than real estate, are limited to the economic life of those assets — not to exceed 25 years. These maturities are one of the key reasons that businesses apply for SBA loans.

Interest rates may be fixed or variable and are negotiated by the lender and borrower. The maximum rates are 2 1/4% over prime on maturities less than seven years. On maturities of more than seven years, the maximum rate is 2 3/4% over prime.

SBA's goal is to respond to every loan request within 20 calendar days; however, many SBA offices have achieved a much faster turn-around time. The most significant elements in slowing down the SBA's response time are incomplete or improperly prepared loan packages.

Here are some suggestions that should assist you with getting your loan approved.

- Ensure your narrative reports are clear and concise.
- Provide a detailed report on your background and experience in the business.
- Double-check your application for accuracy.
- Set realistic figures when developing budget forecasts or pro-formas. The backup material you submit should back up those numbers.
- List all available collateral.

There are two ways to apply for an SBA loan. You can request a loan application from your nearest SBA office and complete all the necessary forms yourself. Or, since the forms can sometimes be time consuming to complete, you can seek a specialist who prepares SBA loans and let them complete the forms for you. Since these people are experts in this field, there is less likelihood that the loan will be delayed.

Loan specialists are usually also equipped to advise and assist in selecting the loan program best suited for you, including some that are not commonly known. They can also help condition your business so as to optimize chances of approval.

To obtain more information on SBA loans, or if you need help completing the loan application, contact our Fiducial affiliated office.

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