



Everything You Need to Know About SBA Loans



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What is an SBA Loan?

Small Business Administration (SBA) loans offer a practical method of small business financing for entrepreneurs looking to start, buy or expand a business. Whether you need money to purchase real estate, cover construction costs or to use as working capital, SBA loans offer attractive repayment terms and low interest rates.

SBA loans are typically not directly from the Small Business Administration. Rather, the SBA encourages banks to lend to small business owners with preferable terms and multiple loan options. In return, the SBA covers 75 to 85 percent of the loan for the bank if the loan defaults.





SBA 7(A) Loans

Traditional SBA 7(a) loans offer up to \$5 million in small business financing for almost any business purpose, including start-up, acquisition or expansion. Loan proceeds can be used as working capital, revolving funds, or to purchase real estate, equipment, inventory, etc. Lenders typically ask for 20 – 30 percent cash as a down payment.

SBA 7(A) Working Capital Loans

Working Capital loans can be a great fit for service-oriented or mobile businesses that don't require the build out of a brick-and-mortar store. They're also a good option for borrowers who can get their business up and running but need additional financing for daily operations. These loans range from \$25,000 - \$150,000 and usually require a 10 percent down payment. However, the funds can only be used for working capital expenses such as rent, utilities and employee wages, some equipment purchases and inventory.



Qualifying for an SBA Loan?

There are five factors banks analyze to determine fundability:



Capital



Credit



Capacity



Character



Collateral



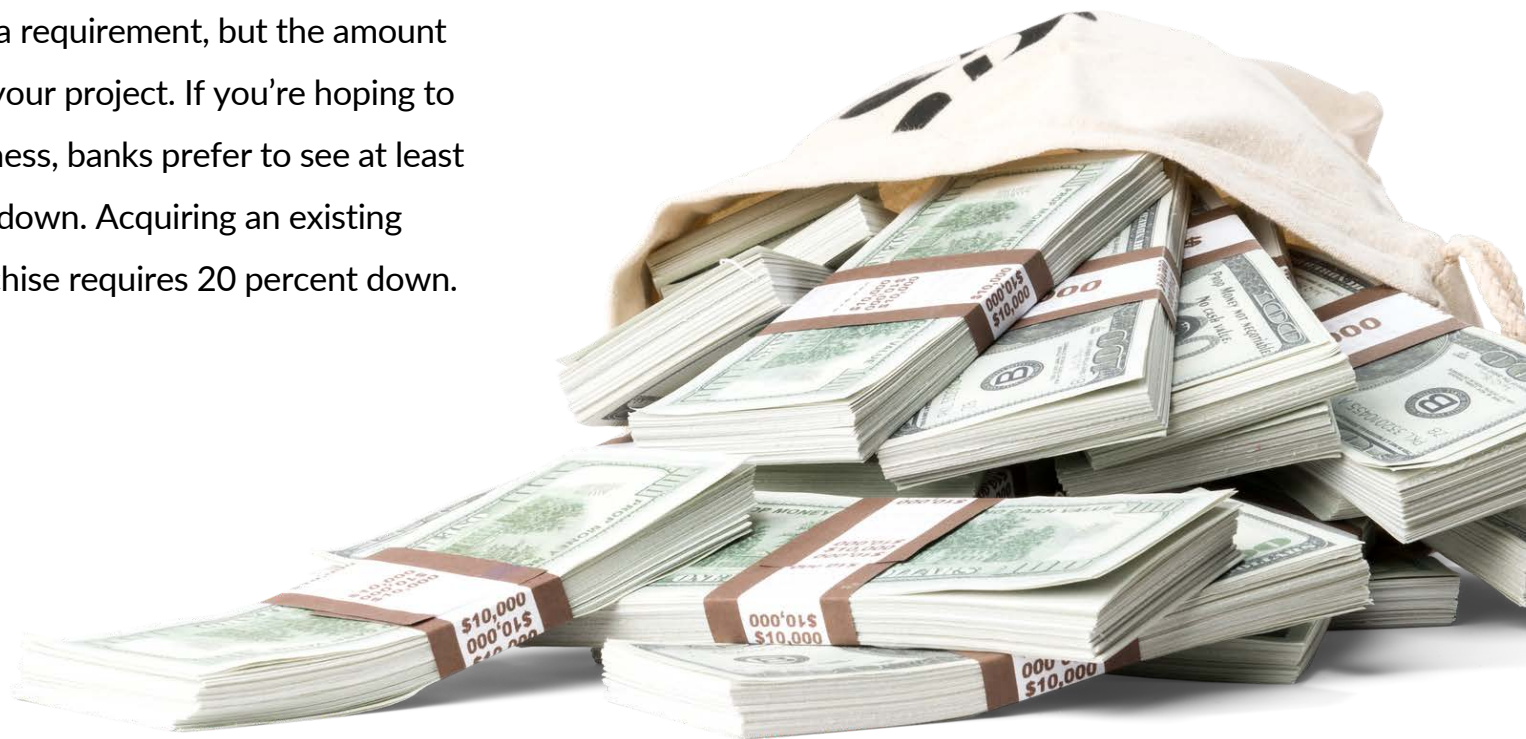


Capital

Capital is the amount of cash you'll invest in the business, also known as a down payment (or equity injection). Banks won't fund 100 percent of your total project cost, so investing liquid capital is always a requirement, but the amount varies based on your project. If you're hoping to fund a new business, banks prefer to see at least 30 percent cash down. Acquiring an existing business or franchise requires 20 percent down.

Helpful Hint

If you don't have the required capital readily available for a down payment, using a [Rollover for Business Start-up](#) arrangement is a quick, penalty-free way to access business funding from your retirement account.





Credit

Your credit score, debt-to-credit ratio and credit history all play a role in your attractiveness as a borrower. If you've filed for bankruptcy in recent years, this can have a negative impact on your loan eligibility.

Most banks also look at your FICO credit scores, both personal and business. They require a personal credit score of at least 680 and a small business credit score of 160. It's wise to do your research to see if you need to improve your scores before reaching out to lenders.



Helpful Hint

Guidant can help you do a "soft" pull of your credit, which will not impact your credit score.



Capacity

Also known as cash flow, capacity measures your ability to generate income that can be used to pay back the borrowed debt. Current income, anticipated income from the new business and your spouse's income all play a role when the bank assesses your global cash flow. If you're starting a new business, the lender will place more weight on your income outside of the new business. If you're purchasing an existing business, the lender will review the business's tax returns from the past three years to determine the business' ability to support your new loan payment.





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Collateral

The SBA usually requires some form of collateral to secure a loan, such as a home, property, boat, etc. You typically won't be denied a loan based on insufficient collateral if all other requirements are met, but they will require collateral if you possess "worthwhile assets."

For example, if you own a home with a value of more than 20 percent equity, the bank will take a lien against it as security. However, if you don't own a home and otherwise qualify for a loan, your funding will likely still be approved.



A man with grey hair, wearing a blue denim shirt, is working on a bicycle frame in a workshop. He is looking directly at the camera with a focused expression. The background is filled with various tools and equipment, suggesting a professional repair shop. A large red semi-transparent shape is in the top right corner. A dark blue semi-transparent banner is at the bottom left, containing the text.

Why Work with Guidant?

Your Shortcut to Success

Guidant Financial makes it easy for qualified borrowers to obtain an SBA loan. Our streamlined process gives you immediate access to thousands of lenders with a single loan application. With our comprehensive loan package analysis, we ensure you're matched with the lender who provides the best loan rate and the greatest chances of approval.



96%

Guidant clients have a 96% funding rate once a loan offer is secured from a lender.



Helpful Hint

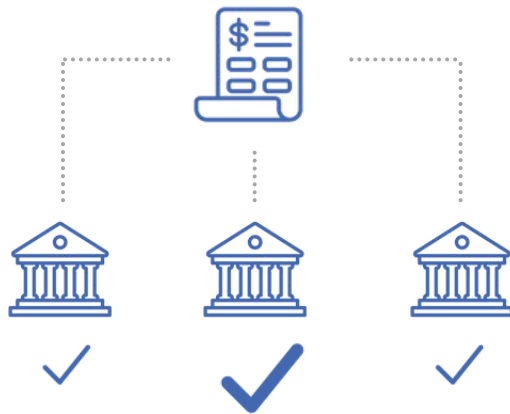
Applying for an SBA loan with Guidant is risk-free thanks to our money-back guarantee. If you aren't approved for a loan, we'll give you a full refund of your consulting fee.

Simplified Loan Application

Loan applications are extremely detailed and take a lot of work to put together. If you're shopping lenders independently, each bank will require a separate application. But by working with Guidant, you'll only need one loan application, which we'll send to our large network of lenders to help you find the perfect fit.

Better Terms

When banks compete, you win. Because Guidant can apply to several lenders with a single application, we're often able to present you with multiple loan offers, meaning you'll have more flexibility when choosing your terms and conditions.





Established Banking Relationships

Each bank has its own set of guidelines that reflect its tolerance for risk. Within these guidelines, they may exclude certain industries, loan amounts or business structures, but you may not realize this until late in the game. Guidant is familiar with the nuances of each lender we work with and can help you avoid this time consuming and frustrating mistake by removing lenders that don't fit your criteria from the pool.

Faster Timeline

Many who attempt to secure an SBA loan on their own waste time filling out multiple applications only to find they're not approved. Guidant requires only a single application that we then shop to our network of thousands of lenders. That means your application will be in the hands of banks who are the most likely to approve your loan from the start. Think of the time you will save!



Take Control of Your Future

For over 10 years, Guidant has been helping entrepreneurs make their dreams of small business ownership come true with our full suite of financing options. By helping 11,000 small business owners secure over \$3 billion in financing, we're fueling the American dream — one entrepreneur at a time.

Ready to get started?

[Pre-Qualify Today](#)

