
***U.S. Small Business Administration
Loan Programs & Services***

***Zero Net Energy Conference
November 2, 2017***



SBA History & Background

- The Small Business Administration (SBA) is a United States government agency that provides support to entrepreneurs and small businesses.
- The SBA was created on July 30, 1953, by President Eisenhower with the signing of the Small Business Act.
- The mission of the Small Business Administration is "to aid, counsel, assist and protect interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of the nation."



Benefits to Borrowers

- *Purpose – provide financing to those creditworthy small businesses that do not qualify for conventional credit*
- *Benefits*
 - *Small business receives financing*
 - *Up to 90% financing for commercial real estate transactions*
 - *Longer term = smaller payment = qualified easier*
 - *Full amortization and no balloon payments = save time, paper work, hassle and \$\$*
 - *Finance non-conventional and special-purpose credits, such as start-up businesses, business acquisitions, gas stations, car washes, restaurants, healthcare facilities, hotels/motels, auto shops, etc.*



General SBA Eligibilities

- ❑ Borrowing entities' major shareholders are either U.S. citizens, permanent residents or legal aliens
- ❑ SBA's size standard: Net Income \leq \$5MM and Total Business Net Worth \leq \$15MM
- ❑ Ineligible Businesses:
 - Non-profit businesses
 - Businesses engaged in lending
 - Shopping centers, apartment buildings are not eligible
 - Businesses located in a foreign country
 - Business loans to individuals not lawfully in the United States
 - Businesses selling through a Pyramid Plan
 - Businesses deriving more than 1/3 gross annual revenue from legal gambling activities
 - Businesses engaged in illegal activities
 - Businesses which restrict patronage such as men or women only health clubs
 - Government owned entities
 - Businesses teaching, instructing religion or religious beliefs
 - Businesses owned by persons of poor character
 - Businesses in which the Bank or affiliates owns an equity interest
 - Businesses providing prurient sexual material
 - Businesses that have previously defaulted on Federal or Federal assisted financing
 - Businesses primarily engaged in political or lobbying activities
 - Speculative businesses



SBA Loan Program Overview

- *SBA does not make direct loans to borrowers (except disaster assistance loans), but uses a network of SBA approved lenders*
- *Again, SBA provides a loan guaranty only, backed up by the U.S. Government*
- *There are many SBA programs, but two major programs:*
 1. *SBA 7(a)*
 2. *SBA 504*



SBA 504 Fixed Asset Financing

Funds under the 504 program can only be used for fixed asset projects such as:

- purchasing land w/improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping;
- construction of new facilities, or modernizing, renovating or converting existing facilities; or
- purchasing long-term machinery and equipment.



Reduction of Energy Consumption Benefit

- Each Project that reduces the Borrower's energy consumption by at least 10% (Eligible Energy Public Policy Project).
- This category may not be used for Projects involving new businesses.

Energy Public Policy Project

- Construction or acquisition of a facility (the “new facility”), the new facility must replace an existing facility.
- The energy consumption at the existing facility must be compared with the new facility to determine if the Project satisfies the 10% energy reduction goal.

Energy Public Policy Project

- The retrofit of an Applicant's existing facility, the retrofit must reduce the energy consumption of that facility by at least 10%, regardless of the energy usage of any other facilities that the Applicant may operate
 - or

Energy Public Policy Project

- Each Project for plant, equipment and process upgrades of renewable energy sources such as the small-scale production of energy for individual buildings or communities' consumption, commonly known as micropower, or renewable fuel producers including biodiesel and ethanol producers (Eligible Energy Public Policy Project). This Project must generate more than a de minimis amount (SBA interprets "more than a de minimis amount" to mean at least 10%) of the energy used by the Applicant at the Project facility
- In addition, all improvements or equipment required to generate the renewable energy or renewable fuels must be included in the 504 Project costs.

Energy Public Policy Project

- The Applicant must document the Eligible Energy Public Policy Project's compliance through either an **energy audit, engineering report, or other professional evaluation, as deemed appropriate by SBA.**
- That is based on the annual energy usage at the facility or facilities (measured in actual energy usage, e.g. kilowatt hours, therms, or gallons, as applicable, not in dollar costs), and that, at a minimum, includes the following:

Energy Public Policy Project

- A description of the facility or facilities;
- The current energy usage;
- The projected energy usage, which must be based on all modifications and retrofits to building(s), and all installations of, and replacements and retrofits to, equipment; and
- The qualifications of the party performing the energy audit, engineering report, or other professional evaluation, each of which must be performed by an independent third party (by an entity other than the applicant, the interim lender, the Third Party Lender, or any of their respective affiliates).



Energy Public Policy Project

- There can be more than one Project funded (for small manufacturers and Eligible Energy Public Policy Projects) for the same Applicant or for its affiliates provided that SBA determines that each Project meets prudent lending standards,
- However, for Eligible Energy Public Policy Projects, the Gross Debentures issued for a small business concern, including its affiliates, may not exceed \$16,500,000 in the aggregate.
- Note: The \$5,500,000 amount for each Project is not reduced by any other outstanding SBA loan guaranties that the borrower and its affiliates have received through other SBA loan programs. In addition, 504 loans made for the Projects described above do not reduce the \$5,000,000 limit for each small business concern for other 504 Projects.



More Info & Questions?

SBA website: www.sba.gov

THANK YOU FOR YOUR TIME AND ATTENTION!

ANY QUESTIONS?

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“Aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns”

