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Small Business Administration Backed Loan Introduction

SBA loans are actually bank financing guaranteed by the Government. The Government insurance provides extra benefits. The primary benefit is longer repayment term. Typically, business loans that do not involve real estate have a 5-year term from a bank but 10 years with SBA. That means the monthly payment can be almost half, which really improves cash flow.

SBA loans have many uses including working capital, high interest debt consolidation, purchasing equipment, hiring employees, or commercial property purchase/refinance. Most for-profit companies can be eligible.

Since SBA loans are bank loans, you will need to meet bank criteria, which can be relaxed a little because of the Government's insurance. All business loans are based on an evaluation of the borrower's Credit, Cash Flow (or cash on hand), and Collateral. These are known as the 3 Cs. If a borrower is strong in all 3 Cs, then getting a business loan is relatively easy to do. What is "strong"?

- Credit is considered strong at FICO scores of 700 and up
- Cash Flow is strong if business profit is at least 1.2x the company debt payments
- Collateral is strong if it is real estate or heavy machinery

Many companies don't have the preferred Collateral, commercial property. Is it still possible to get loan? Yes, they would just need to be extra strong with Credit and Cash Flow, or have personal real estate with equity.

Besides the 3 Cs, some of the common requirements to determine eligibility include:

- No bankruptcy in the past 3 years
- Current on all bills, especially all taxes
- U.S. citizen or legal permanent resident

You may have heard that SBA loans require a lot of paperwork. It is really not much more than a regular bank loan, but more people qualify. The interest rate is much better than internet lenders and the lower monthly payments make the paperwork worthwhile.

The loan process is typically 45-60 days and mainly depends on how quickly your documents are done. Once prequalification documents are turned in a loan offer can be given in 3-5 days. Once underwriting documents are completed, a loan approval can be given in 2-3 weeks. Closing typically takes 2-4 weeks after that.

If you are ready to apply for an SBA loan or have questions about the process, please contact us at Complete Business Capital. Our experts will be more than happy to assist you.