

Leveraging the Cash Flow Advantages of SBA Financing

By: PNC Bank

The U.S. Small Business Administration (SBA) sponsors a selection of loan-guarantee programs for a wide range of credit needs. With lower down payments, longer terms and lower monthly payments, SBA loans can offer manufacturers significant cash flow advantages over conventional business financing.

The Key Benefits of SBA Loans

First and foremost among the benefits of SBA financing, qualifying for an SBA loan generally is easier than qualifying for other types of business loans. The down payment requirement for an SBA loan typically is lower than that of a conventional loan, and collateral requirements are less stringent for SBA loans as well.

Other major cash flow advantages of SBA financing include the option for longer repayment terms than standard loans, which can reduce your monthly payments and allow you to retain more of your working capital. SBA loans also provide the benefits of no balloon payments and no prepayment penalties for terms less than 15 years.

Financing Options for Various Business Needs

Most for-profit small businesses are eligible for SBA financing, and SBA loans can be utilized for a wide variety of business purposes, including:

- Owner/user commercial real estate purchases, renovation or improvements.
- Business acquisitions, expansions or start-ups.
- Equipment, machinery, inventory or working capital.
- Franchise financing.

The SBA offers a number of diverse loan-guarantee programs, and your SBA lender can help you identify the program best-suited to your needs. Depending on the program you select, loan amounts range up to \$4 million, repayment terms can be extended up to 25 years in certain cases and interest rates can be fixed or variable.

Look for an SBA “Preferred Lender”

The SBA has designated several highly experienced lending partners across the United States as “Preferred Lenders.” These lenders have dedicated specialists to make the SBA loan process faster and easier for borrowers. With streamlined application procedures, Preferred Lenders can expedite the approval process.

Not all lenders are SBA Preferred Lenders, and not all SBA loan programs are available from every SBA lender. If you're interested in exploring SBA financing opportunities for your small business, start by looking for an SBA Preferred Lender that has a track record of success with the SBA loan program that fits your needs.

For more information, please contact Brendan McMoran, PNC SBA Business Development Officer at 215-328-2516.

Sidebar Article

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Applying for an SBA Loan for Your Small Manufacturing Business

Effective application documentation provides the key to securing an SBA loan for your small business. While requirements may vary among SBA lenders, the following materials are critical in evaluating your request for SBA financing:

Business Profile – Describing the type of business, annual sales, number of employees, length of time in business and ownership.

Loan Request – Detailing how the funds will be used - including the purpose, amount and type of loan.

Collateral – Describing the collateral offered to secure the loan, including equity in the business, borrowed funds and available cash.

Business Financial Statements – Complete financial statements and tax returns for the past three years, current interim financial statements and projected financial statements for the coming year.

Personal Financial Statements – Complete financial statements and income tax returns for the past three years for all owners, partners, officers and stockholders owning 20 percent or more of the business.