

US SMALL BUSINESS ADMINISTRATION

Programs & Services

Loan Programs

The U.S. Small Business Administration (SBA) is an independent agency of the Executive Branch of the Federal Government. It is charged with the responsibility of providing assistance to American Small Business by providing financial assistance. This financial assistance comes through Business Loan programs, Investment Programs, and Bonding for Contractors.

SBA is not an originating lender. The actual funds are provided by independent lenders, Community Development Organizations or Micro-Lending institutions. The lender receives the full faith and credit backing of the Federal Government on a portion of the loan made to the small business and SBA transfers the risk of borrower non-payment, up to the amount of the guaranty, from the lender to SBA.

For additional information on any of the SBA Loan Guaranty Programs call 701-239-5131 or www.sba.gov/nd/financing.html

7(a) Loan Guaranty Program is the most basic and used type of SBA's business loan programs. To qualify for an SBA loan, a business must be small according to SBA size standards; must be organized as a for-profit business; and must provide a product or service. Businesses involved in speculation or for investment purposes such as rental properties are not eligible for SBA assistance. The maximum loan amount is \$2 Million and SBA's maximum exposure is \$1.5 Million. The maximum guaranty is 75% and varies based on the project. Funds can be used for start-up or expansion, equipment purchase, working capital, inventory and real estate acquisition. The interest rate and terms are determined by the lead lender and equity requirements are typically standard for that type of industry.

The 504 Certified Development Company Program is a partnership between a certified development corporation (CDC) backed by the SBA, a local lender, and the applicant to finance long term fixed assets such as equipment and land. The applicant injects 10-20% of the project; the bank finances 50% of the project; and the CDC finances the balance (30-40%) by selling debentures guaranteed by the SBA. The SBA's share is limited to a maximum of \$1,000,000 depending on the project. Contact the Dakota Certified Development Corporation at www.dakotacdc.com or (701) 293-8997 or 1-800-611-8997 for further details.

The MicroLoan Program works with an intermediary who can lend up to \$35,000 directly to an eligible small business. The program is designed to provide commercial financing to small businesses that can't get financing through a bank because the loan is too small. Applicants must be creditworthy and meet SBA's eligibility guidelines. Contact the Lake Agassiz Regional Development Council at (701) 239-5373 or the Dakota Certified Development Corporation at www.dakotacdc.com, (701) 293-8997 or 1-800-611-8997 for further details.

CAPLine are specialized loan programs designed to meet a business's short term, cyclical working capital needs. The maximum loan amount is \$2 million and is available in five lines (1) Seasonal Line (2) Contract Line (3) Builders Line (4) Standard Asset Based Line (5) Small Asset Based Line. Loan proceeds generally will be advanced against a borrower's anticipated inventory or accounts receivable.

SBA Express is a program designed to offer faster and easier access to SBA loan guaranty programs. Lenders who have been qualified by SBA may electronically submit a loan request, using their own forms and underwriting standards to receive a 50% guaranty. The maximum loan amount is \$350,000. Loan proceeds can be used for working capital, equipment and real estate.

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Equity Investment

Small Business Investment Companies (SBICs) are privately owned and managed, for-profit investment firms licensed by the SBA. They make equity investments and long-term loans to small businesses using their own capital leveraged with SBA funds. Companies seeking rapid growth, modernization and expansion are good candidates for this program. Contact Invest America at (701) 298-0003 for further details.

Surety Bond Guarantee

By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$100,000 or more. Many states, counties, municipalities, and private-sector projects and sub contracts also require surety bonds. The SBA Surety Bond Guarantee (SBG) provides small and minority contractors with contracting opportunities for which they would not otherwise bid. SBA can guarantee bonds for contracts up to \$2 million, covering bid, performance and payments bonds. The SBA's guaranty goes to the Surety Company and contractors must apply through a surety-bonding agent.

Procurement Marketing

The U.S. government is the world's largest buyer of products and services. By law, federal agencies are required to establish contracting goals, such that 23% of all government buys are intended to go to small businesses. In addition, contract goals are established for women-owned, small disadvantaged businesses, firms located in HUB Zones and service disabled veteran-owned businesses.

Selling to the government is similar to selling to the private sector but with a new set of rules and regulations. Use common business sense and look closely at your company and what the government will consider before choosing you as a vendor—your financial status, staff capabilities and track record. Information on procurement and other opportunities are available at www.sba.gov/nd/opportunities.html.

Research & Development Assistance

The Small Business Innovation Research (SBIR) program awards federal grants, on a competitive basis, to small businesses with innovative ideas that meet the specific research and development need of participating federal agencies. The Small Business Technology Transfer Program (STTR) also awards federal grants on a competitive basis but for profit companies must collaborate with a nonprofit research institution from the submission of the proposal to the completion of the designated effort. In North Dakota contact The Center for Innovation & Business Development:

UND Rural Technology Center
4300 Dartmouth Drive
Grand Forks, ND 58502
or call (701) 777-3132
or on the web at
www.innovators.net/sbir.htm.

For general information, visit SBA's web site at www.sba.gov/sbir.