

Basic 7(a) Loan Program

Offered by: U.S. Small Business Administration (SBA)

Target Credit

Union Participants: Credit unions that provide business loans.

Program

Objective:

The benefits to the credit union when issuing SBA loans include: providing additional services to your membership; maintaining a desired liquidity of assets (selling in the secondary market); and attracting more members.

Credit Union

Since February 14, 2003, all credit unions that meet SBA certification requirements, regardless of field of membership type, may participate in the SBA 7(a) program and streamlining its process for approving credit unions to participate as 7(a) lenders.

Program Features and Requirements:

The 7(a) Loan Program is the largest SBA guaranty loan program. Borrowers (members) may use the proceeds for the purchase of land or buildings; acquisition of various types of fixed assets; long and short-term working capital; refinancing of an existing business loan; and purchase of a business. The 7(a) Loan Program characteristics are as follows:

- Total loan guaranty amount available is \$1.5 million.
- Interest rates are fixed or variable with the SBA maximum rate of 2.75 percent over prime.
- SBA charges lenders a guaranty and a servicing fee for each loan approved. The guaranty fee can be passed on to the borrower. The servicing fee cannot.
- Maximum SBA guaranty is 85 percent of a loan for up to \$150,000 and 75 percent of a loan up to \$2,000,000.

Program Cost:

Free

Contact:

For the district office nearest your credit union, call (800) 8-ASK-SBA. The SBA provides information regarding training, programs, and other information on its website: <http://www.sba.gov>.