

SBA Basic 7(a) Loan Program

7(a) loans are the most basic and most used type of loan in the Small Business Administration's (SBA's) business loan programs. All 7(a) loans are provided by lenders who are called participants because they participate with SBA in the 7(a) program.

7(a) loans are only available on a guaranty basis. This means they are provided by lenders who choose to structure their own loans by SBA's requirements and who apply and receive a guaranty from SBA on a portion of this loan. The SBA does not fully guarantee 7(a) loans. The lender and SBA share the risk that a borrower will not be able to repay the loan in full. The guaranty is a guarantee against payment default.

Under the guaranty concept, commercial lenders make and administer the loans. **The business applies to a lender for their financing.** The lender decides if they will make the loan internally or if the application has some weaknesses which, in their opinion, will require an SBA guaranty if the loan is to be made. The guaranty which SBA provides is only available to the lender. It assures the lender that in the event the borrower does not repay their obligation and a payment default occurs, the Government will reimburse the lender for its loss, up to the percentage of SBA's guaranty.

ELIGIBILITY CRITERIA

All businesses that are considered for financing under SBA's 7(a) loan program must: meet SBA size standards, be for-profit, not already have the internal resources (business or personal) to provide the financing and be able to demonstrate repayment. Certain variations of SBA's 7(a) loan program may also require additional eligibility criteria. Special purpose programs will identify those additional criteria.

OTHER ASPECTS OF THE BASIC 7(a) LOAN PROGRAM

In addition to credit and eligibility criteria, an applicant should be aware of the general types of terms and conditions they can expect if SBA is involved in the financial assistance. The specific terms of SBA loans are negotiated between an applicant and the participating financial institution, subject to the requirements of SBA. In general, the following provisions apply to all SBA 7(a) loans. However, certain loan programs or lender programs vary from these standards. These variations are indicated for each program.

This is merely a brief description of the 7(a) program and is not intended to fully disclose all the requirements and criteria for this program. More information regarding this program and other SBA services can be found at: <http://www.sba.gov/>.

For more information, contact the EDC at (309) 661-6332.