



Does the SBA have a dime to spare?

Posted: Friday, April 18, 2008 3:02 AM

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Filed Under: [Starting up](#), [Financing](#), [Back office](#), [Entrepreneurship](#)

Richard Lin says he “ain’t Rockefeller, nor Gates, nor Buffet.”

So, when he passes his New York State property casualty exam, which he’s taking this month, he’ll need money to be able to set up his insurance practice.

Since banks are getting tougher when it comes to lending money, especially to budding, new small business owners, he figures his best bet would be a Small Business Administration loan.

Well buddy, it might not be that easy.

SBA lending is down, nearly 14 percent, and the answer for why is different depending on whom you talk to.

Some believe the SBA has tightened the lending screws.

“With fewer options in the private market, and in the midst of an economic downturn, it is inexcusable for SBA to make it tougher for small firms to get capital,” says [Nydia M. Velázquez](#), Chairwoman of the House Committee on Small Business. “Affordable financing means access to opportunity.”

And she says business owners are turning to plastic to fund their businesses because of it, pointing to a 14 percent spike in credit card use among small firms in the past five years.

A spokesman for [the SBA](#) says it may be more about reduced demand for loans from small businesses themselves.

“This uncertainty on both sides of the borrowing transaction may explain why SBA loan volume is not enjoying the typical ‘counter-cyclical’ bounce we’ve seen in the past when credit is tightened,” explains Michael Stamler with the agency.

Stamler also pointed to a recent survey by the National Association of Government Guaranteed Lenders that found “two-thirds of SBA lenders had

tightened standards on 7(a) loans, SBA's primary business loan program, and more than 60 percent of SBA lenders said they are seeing a decline in demand from businesses for loans."

No matter what the reason for the decline, there still are people like Lin out there who are clamoring for some cash.

I figured I'd ask an expert about the best way to go about securing an SBA loan, just in case there really is all this money to go around but no takers?

[Charles H. Green](#), the author of "**[The SBA Loan Book](#)**", offers some advice:

"The most important thing is to provide as much information as possible about why you need the funding, how you will pay it back, how you can provide a secondary source of repayment if all doesn't go as planned, and expect and respond to whatever information the bank will request," he explains.

And as far as choosing a bank to get your SBA loan through, he suggested a smaller, community lender is probably best because they'll be more responsive than the mega-banks.

But before you do anything, go to **[the SBA's Web site](#)** and get a list of preferred lenders in your area.

As for Lin, Green believes he probably would be eligible for a so-called SBA express loan which is similar to a line of credit for two years with terms out over a five year period.

Those types of loans are determined by your credit history and the income you've been historically able to generate.

"He may not get what he needs, but he can operate for a year and go back and increase the loan," Green maintains.

The other key point, he stresses, is be realistic, especially during tough economic times. Do your research and realistically project sales and profits from sales, and document those sales for your lender.

"Show them you've done your homework and your chances for success are better," he notes.

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