

## Ten Myths and Facts About The SBA

**Myth:** It takes four to six months to get a SBA Loan processed.

**Fact:** Completed loan applications from banks average 10 working days.

**Myth:** SBA only provides free business counseling to business people with SBA loans.

**Fact:** SBA provides free business counseling to all business people.

**Myth:** SBA provides no assistance in helping a business get federal contracts from the government.

**Fact:** SBA has procurement assistance at Small Business Development Centers across the country.

**Myth:** A business person can get cheaper interest rates for business loans from SBA.

**Fact:** SBA does not provide lower interest rates for small business people. Interest rates are negotiable with the bank, but are limited to 2.25% above the prime rate in the Wall Street Journal for loans with maturities of less than 7 years, and limited 2.75% with maturities of 7 years or more.

**Myth:** SBA loans are a "last resort" source of funding!

**Fact:** The SBA feels strongly that they are the first lenders small business owners should approach. The SBA loan programs insist that small businesses not be charged an application fee, or bank management fee. In addition, the SBA loan programs offer cash flow financing with much longer terms than traditional bank financing with no balloons or call dates. SBA places limits on how much interest can be charged by lender to the small business borrower.

**Myth:** SBA has no specialized programs to assist minority business persons.

**Fact:** SBA's 8(a) and 7(j) programs provide specialized management and technical assistance to minorities.

**Myth:** There are few SBA loan programs.

**Fact:** SBA finance programs provide a wide spectrum of opportunities including Guaranteed Loan, Handicapped Assistance, Contract Loan, Veterans Loan, Exported Revolving Line Of Credit, and Small Business (\$50,000 and less).

**Myth:** SBA has no programs to assist veterans.

**Fact:** SBA gives veterans priority when their loan application arrives in the office or when they need business counseling to start a small business.

**Myth:** The SBA itself lends money to a small business owner.

**Fact:** The SBA guarantees a portion of the loan (between 50-80%, depending on program). Uses for SBA funds include purchase of existing land and buildings (owner-occupied), expand or modernize facilities, purchase machinery, equipment, leasehold improvements or inventory, and finance increased receivables and augment working capital

**Myth:** Contractors receive no assistance from SBA.

**Fact:** SBA's Surety Bond Guarantee Program assists contractors with their Bid Bond, Performance Bond, and Payment Bond.