

SBA WORKING CAPITAL: LIFELINES FOR SMALL BUSINESSES

In this still up and down economy, business is picking up but things are still tight for the small business community. We're seeing many businesses operating on a short string, just able to pay overhead, keep their SBA loans current - and keep the business afloat.

Enter the SBA's revamped CAPLine program. In looking for ways the program could better benefit lenders and small businesses, the SBA solicited input from about 150 lenders across the country. The outcome: four distinct programs designed for specific borrower needs: 1) Seasonal Lines of Credit to help businesses with seasonal operations; 2) Contract Loans to finance specific contracts, subcontracts or purchase orders; 3) Builders Lines of Credit for small contractors or developers to construct or rehabilitate residential or commercial property; and 4) Working Capital, revolving lines of credit providing short-term capital to meet operating needs.

The Working Capital Lifeline

Working Capital is by far the most widespread - and most critical to helping many small businesses survive. The program grants short-term revolving lines of credit based on accounts receivable, bridging the gap between a business delivering its completed product and getting paid. The operating cycle begins with cash spent and is completed once cash is received. For the business, it's a critical gap that could make the difference between success and failure.

So toss your SBA borrowers a lifeline! Help keep them from getting caught in the quicksand between accounts receivable and payments. Here are some of the basics:

Eligibility

Applicants must qualify under Standard 7(a) requirements; they must sell on credit and create accounts receivable.

Use of Proceeds

- Finance short term working capital/operating needs.
- May refinance existing short-term revolving debt.
- Must NOT be used to pay delinquent withholding taxes or similar trust funds (state sales taxes, etc.), or for floor planning or to acquire fixed assets.*

General Requirements

- Maximum line amount \$5 million.
- Maximum guaranty amount limited to \$3.75 million to any one borrower and its affiliates.
- Maximum guaranty percentage is 75% for loans over \$150,000 and 85% for loans of \$150,000 or less.
- Maximum interest rate is the same as Standard 7(a).
- Maximum maturity is 10 years.
- Guaranty Fee is the same as Standard 7(a) - Fees may be paid from loan proceeds.

Introducing businesses to the SBA's Working Capital CAPLine program will help your local economy - and importantly help your organization maintain a successful SBA portfolio. Your SBA District Office has more details. Contact me at J.R. Bruno & Associates, 626.688.2125. We can assist you in identifying and working with eligible small businesses - and for all things SBA! www.jrbrunoassoc.com.

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**If a lender discovers the line was used to finance a fixed asset; it must refinance that portion of the line into an appropriate term facility no later than 90 days after the discovery.*