



# CHESNUT & CAPE CAPITAL PARTNERS, LLC

MERGERS · ACQUISITIONS · BUY/SELL INTERMEDIARIES

## SBA Financing – Strategically Speaking

May 2009

Historically, the Small Business Administration (SBA) loan programs have received mixed reviews. For numerous reasons, business owners learned either by direct experience or through their own network of fellow business owners that the government bureaucracy associated with the SBA loan application process was more trouble than it *seemed* to be worth.

In today's economic and banking environment, however, by-passing the SBA could well be one of the most costly mistakes entrepreneurs and seasoned business owners may make over the next decade, or two!

What's changed? The obvious is that both small and large banks are behaving much differently toward their good, weak and bad credits these days. It's not so much that the rules have dramatically changed, it's more like the lending standards that were in existence but rarely adhered to have suddenly become the rule and unbendable at that. Every business borrower has now come face-to-face with the unfriendly terrain that traditional banking has become.

The government's determination to stimulate the economy evidently understands that there couldn't be a more critical time to favor the small business market with expanded opportunities for those small businesses in need of capital to grow, acquire or re-finance.

So whether your business objective is to merely stabilize your operation, grow it by acquisition, form strategic partnerships, or purchase much need capital equipment, the SBA has made significant changes to its process to spur recovery opportunities for small businesses.

Chris Hurn, President and CEO of Mercantile Commercial Capital, LLC, a SBA loan specialist recently noted that "SBA 504 loans may rank as one of the most effective domestic development program the government administers."

Through September of 2010, although that date could be extended, the government is now paying the SBA guarantee fees on its 7(a) loans and waiving fees associated with the 504 Certified Development Company loans and has expanded the size threshold to include eligible companies with less than \$3 million in annual net income. Importantly, all across the country, local banks and economic development agencies will work with business owners on the SBA process. Under current guidelines, the SBA will also guarantee 90% of the loan proceeds, making that an attractive features for lending institutions that have a need to mitigate their risk.

The government wants to create new jobs and sustain those that are in place. It wants to keep the small business market as vibrant as possible and those who have considered buying, selling or acquiring a new business must put a visit with the SBA or its local representatives on the priority list. Loans are currently available at rates as low as 5.5% on ten and twenty-year schedules and in this regard, there couldn't be a better time to utilize the government's Recovery Act to build, grow or acquire the business you've always wanted.

CHESNUT & CAPE CAPITAL PARTNERS, LLC

(608) 779-4000

[info@ExitStrategically.com](mailto:info@ExitStrategically.com)

*One Opportunity to do it Right!*