

FAQ ABOUT SMALL BUSINESS LOANS

Q: How much can I qualify for?

A: It depends on the type of business you are looking to open. Most banks require 20% down for existing businesses or franchises and around 30% down for most startups. If you divide the amount of money you are willing to invest by the percentage down required, you will get an idea of how much you can qualify for. Banks will want to be sure you have enough in liquid assets left over after your investment into the business, so you will want to factor that into your calculation.

Q: How long will it take?

A: Many factors determine how long the SBA process takes: Business type (startup vs existing business), finding a location, and lender underwriting time. It also depends on your ability to complete the requirements and documentation for the bank. Most startups generally take 90-120 days and most existing businesses take around 90 days. However, that can be less or more time depending on the factors mentioned above.

Q: I read I only need 10% down.

A: The SBA has a minimum down payment requirement of 10%, but this is a floor not a ceiling. Each bank will have their own internal guidelines for how much of the deal they are willing to finance, and how much you will need to put down. While 10% is possible, you may see some lenders requiring more to help mitigate their risk.

Q: Why would I need to put up my home if the government is backing?

A: While it provides the bank with extra security, the government backing from the SBA cannot be used as collateral. In order to participate in the lending program, the SBA requires that banks underwrite the loans as if there was no government backing. This means they want the lenders to use the same collateral requirements on the SBA loan as they would a non-SBA loan.

FAQ ABOUT SMALL BUSINESS LOANS

Q: Can I use my retirement funds as a down payment?

A: In most cases, you can. If you plan to use a Rollover for Business Startup (ROBS) as your equity, you will want to verify that the lender you are working with has a good understanding of the ROBS structure. Your ROBS provider can always provide more information. If you do not want to use ROBS, taking a distribution or potentially even a 401(k) loan may also be an option, though you will need to factor in taxes and debt repayment.

Q: What is the minimum credit score for an SBA loan?

A: The SBA minimum is 640, but most lenders prefer to see credit scores closer to 680+. Lenders will also be interested in your credit history and current debt obligations.

High credit card debt or recent late payments are items that lenders will factor into their decision to lend to you. Previous bankruptcy, foreclosure, or short sales are also all items that lenders will want to be disclosed along with an explanation to help understand the circumstances.

Q: Do I need a business plan for my SBA loan?

A: Yes, a business plan is one of the required documents for an SBA loan application.