

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

SBA can be a vital resource for small business owners and entrepreneurs, many don't understand its lending programs or place within the lending landscape.

**Kristy Short** • Jun. 16, 2015

While the Small Business Administration (SBA) can be a vital resource for small business owners and entrepreneurs, many don't understand its lending programs or place within the lending landscape.

This SBA is a government agency that provides resources and support for small businesses and entrepreneurs. Most people associate the SBA with small business loans, but that isn't necessarily the way the agency works. The SBA helps facilitate financing between SBA-approved lenders and small businesses and entrepreneurs. With the SBA acting as a guarantor of small business loans, the lenders that work with the SBA are encouraged to move forward on "riskier" loans. This relationship creates great opportunities for small business.

The SBA guarantees tens of billions of dollars of loans each year in order to support the country's growing small business population, so programs like the **7(a) Loan Program** and **SBA Express Loans** are a few that small business owners should consider when looking into financing.

The following is a good example of the misconceptions some have about the SBA:

- I often encounter small business owners and entrepreneurs that don't realize that the SBA is not the lender. A client recently called our office and voiced concern that his 680 FICO credit score disqualified him from receiving an SBA loan from a small, local bank. He took the rejection as finite and proceeded to look into other financing options. This client, like many others, failed to understand that the SBA is not the lender, and that each SBA lender is different.

- With some loan counseling and education, this client came to realize that each

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

and risk tolerance, will likely vary when it comes to loan terms. Some banks use SBA programs sporadically, while others use it quite often. Some banks have higher risk tolerances, while others are more conservative with their small business lending. How each lender uses the SBA program may contribute greatly to whether or not the lender will offer the loan.

When considering an SBA loan as a financing option, small business owners should consider both large national banks and small community banks. Large banks are active SBA lenders, but many borrowers opt to go with community banks that have a strong focus on business lending. Smaller banks tend to have more flexibility with approving loans and can offer a much more personalized touch to the business-lending process.

To increase chances of receiving an SBA loan, seek out a seasoned SBA professional or a small business loan expert with SBA loan experience. An expert will be able to navigate the nuances of the SBA's lending programs while also fully explaining terms and assisting with the application process.

Small Business

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved