VETBIZ RESOURCE CENTER

Introduction to SBA Financing

SBA provides a number of financial assistance programs for small businesses. They have been specifically designed to meet a business's key financing needs including the need for debt financing (loans), equity financing (investment/seed money), and surety bonds. SBA does not provide grant funds to finance small businesses. SBA addresses these needs through the following three broad finance programs, but before reviewing these programs you will benefit from SBA's online course, *Finance Primer* **http://app1.sba.gov/training/sbafp**

Debt Financing – SBA's Loan Programs

SBA does not make direct loans; it works with thousands of lenders and other intermediaries, which generally will make the loan with SBA guaranteeing the lender that the loan will be repaid. However, SBA guaranteed loans may not be made if the borrower has access to other financing on reasonable terms. Additional information on SBA loans, including credit and eligibility requirements, how to apply, etc., is available at **http://www.sba.gov/content/how-apply-sba-loan**

SBIC Financing – SBA's Small Business Investment Company Program

SBICs are privately owned and managed investment funds, licensed and regulated by the SBA. SBICs are similar to venture capital, private equity and private debt funds in terms of how they operate and their ultimate objective to generate high returns for their investors. However, unlike those funds, SBICs limit their investments to qualified small business concerns as defined by SBA regulations. Additional information is available at **http://www.sba.gov/inv**.

Surety Bonds – SBA's Bonding Programs

The Surety Bond Guarantee (SBG) Program was developed to provide small and minority contractors with contracting opportunities for which they would not otherwise bid. The U.S. Small Business Administration (SBA) can guarantee bonds for contracts up to $2 million, covering bid, performance and payment bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors, which strengthens a contractor's ability to obtain bonding and greater access to contracting opportunities. A surety guarantee, between a surety and the SBA, provides that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract. More information is at **http://www.sba.gov/category/navigation-structure/loans-grants/bonds/surety-bonds**.

Taken from **http://www.sba.gov**