

# Where Can I Find a Small Business Loan Program?

Owning a successful small business is the American Dream. Whether it is an innovative concept, a passion, or a solution to a problem, people take these ideas and work hard to make them a reality. And small business is important to America- businesses with fewer than 500 employees make up 50 percent of the United States' workforce, 44 percent of our nation's payroll and account for two-thirds of all new jobs created each year.

There can be many challenges along the way. A new business owner must create a business plan and financial projections. Many hours are spent finding a location, crafting marketing strategies and hiring the right employees. As a business grows, there is often a need to purchase a larger facility or additional equipment. One of the biggest and scariest hurdles is financing the business.

Traditional bank loans often require a 25 percent down payment on commercial real estate purchases and up to 50 percent down on equipment purchases. Many small businesses do not have access to a sufficient level of capital to fund the growth that their business needs. Other businesses need a line of credit to fund the purchase of inventory or to carry their accounts receivable until vendors make payments. Banks do not assign a high value to these items as collateral for loans, so requests for credit are regularly declined for that reason.

This is where loan programs from the US Small Business Administration (US SBA) can help. From a start-up business looking for capital, to a seasoned business looking to grow and expand, US SBA loans can be the perfect tool.

The SBA 7(a) loan program can be used for working capital and operating expenses, to purchase inventory, to acquire another business and even for accounts receivable lines of credit. These loans are administered directly through banks and are a great option for newer businesses

and requests that need additional collateral support. The US SBA provides a guarantee to the bank for a portion of the loan amount, which makes the bank more likely to approve the loan and gives more security to the bank in the event that the borrower defaults.

The SBA 504 loan program can be used to purchase owner-occupied commercial real estate, including the purchase of an existing building, the construction of a new building, or the purchase and renovation of a building. It can also be used to purchase equipment with a useful life of 10 years or more, such as manufacturing equipment, printing presses, cranes, and even medical equipment.

The program is administered through a Certified Development Company, such as the Valparaiso-based not-for-profit Regional Development Company (RDC). The program offers long-term, low-fixed interest-rate financing for hard assets. The greatest benefit of the 504 loan program is the low down payment, which enables business owners to retain their cash for other associated expansion needs, such as increased payroll, inventory and working capital. The program is often used by established businesses looking to grow and newer businesses with immediate needs for large facilities. The RDC partners with local financial institutions to provide this program. In most cases, the bank finances the first 50 percent of the project costs, the RDC finances the next 40 percent of the project costs, and the borrower provides a 10 percent down payment.

These US Small Business Administration loan programs provide great options for small business owners. In 2013 alone, the US SBA provided over 54,000 loans for \$30 billion to business owners nationwide. Talk to your financial institution or the Regional Development Company about using an SBA loan for your growing business' needs. Perhaps you may be the next success story! **VM**



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Passauer has a Bachelor of Arts Degree from Indiana University Northwest and further education in credit analysis, commercial lending and US SBA lending. Prior to joining the RDC in 2007, Passauer had 10 years commercial banking experience.

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