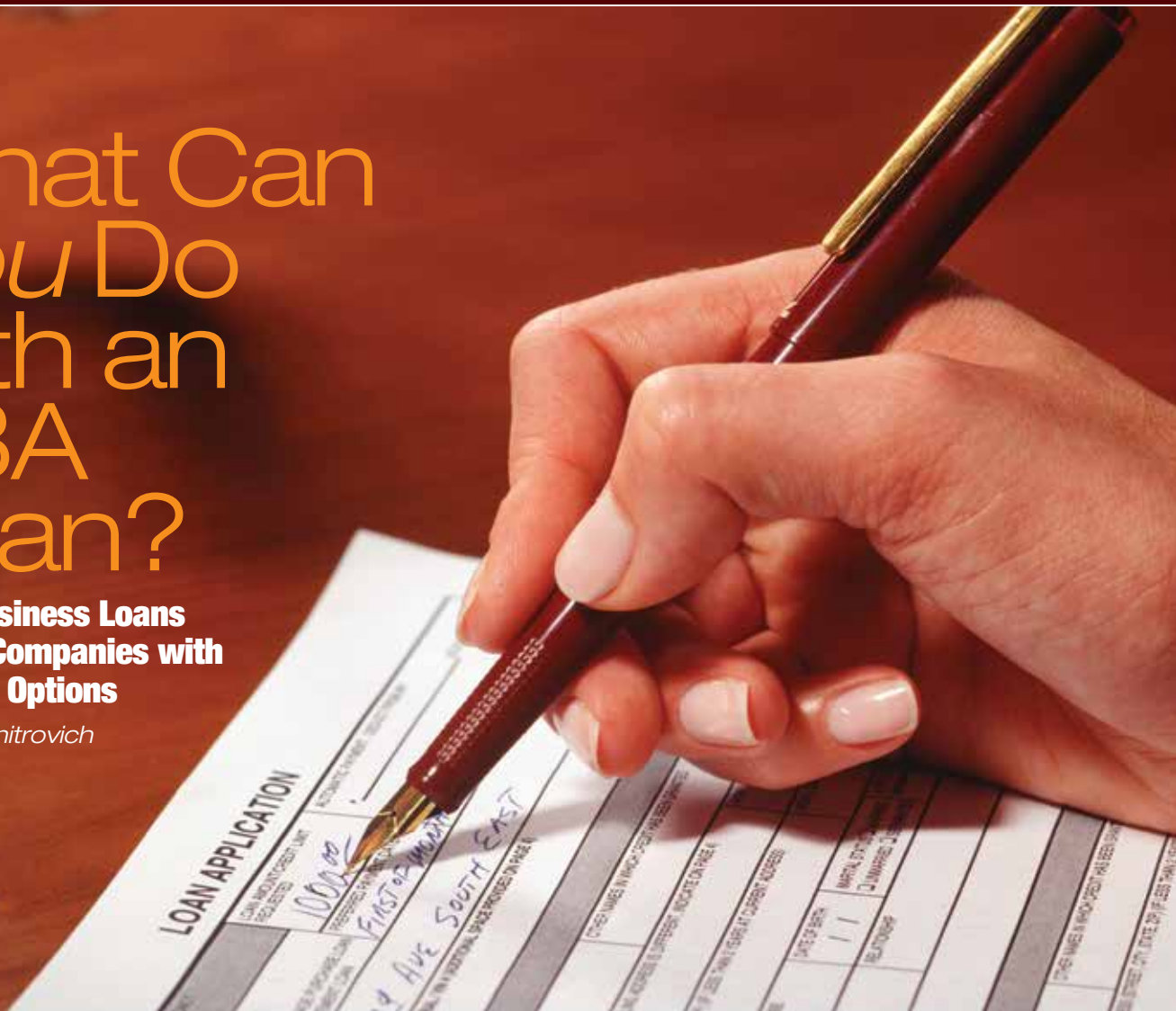


What Can You Do with an SBA Loan?

Small Business Loans Present Companies with Limitless Options

By Nick Dmitrovich



Fifty percent of America's workforce is employed by companies with fewer than 500 employees - making small businesses the under-rated backbone of the American economy. Forty-four percent of the nation's payroll and two-thirds of all new jobs created each year are generated by small businesses, and these companies are about as diverse as one could possibly imagine. From tiny "mom and pop" stores to industrial manufacturing companies, small businesses consist of a wide array of different companies that serve an even more diverse client base - and each one of these small businesses has unique needs.

Across all of the specialized circumstances that small businesses find themselves in, one thing remains consistently evident: Small Business Administration (SBA) loans carry the ability to bring growth potential to each one, regardless of type or industry. No one knows

that better than the certified developers at the Regional Development Company (RDC).

Throughout its 20+ year history, the RDC has seen small companies of all shapes and sizes take advantage of SBA loans to grow their unique operations. Whether it's through the purchase of new equipment, new facilities, acquisitions or renovations, SBA 504 loans can help any type of small business satisfy its own exclusive needs.

"I'm still surprised by all of the different things that companies have used 504 loans for; you wouldn't believe how many different projects we've helped people bring to life over the years," said Erica Dombey, President and Executive Director of the RDC.

"Just to name a few, we've seen 504 loans used to finance funeral homes, cemeteries, golf courses, soybean farms, fitness clubs, sporting complexes, breweries, car dealerships, slaughter houses, gas stations, hotels, liquor stores, doctor and dental offices, assisted living facili-

ties, chicken farms, numerous manufacturing facilities and restaurants, and so much more. It's been amazing," she said.

SBA 504 loans can finance any hard asset, such as the purchase of real estate, purchase of land, construction of a new building, purchase and renovation of an existing building, and purchase of new equipment (the RDC even helped finance an MRI machine once).

"As long as there is owner occupied commercial real estate involved, the loan can include ALL the costs, including appraisals, architectural costs, surveys, furniture, office equipment, phones, security systems, landscaping, anything involved in the real estate," Dombey said.

"The SBA 504 loan is a great tool to help growing small businesses," said Niccole Zell, Vice President of Lending with the RDC. "Several small businesses have come back to the RDC a few years after the initial 504 loan to finance building additions, to increase space,

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or to purchase new equipment to expand product lines. The RDC helped one machine tool shop grow by financing the construction of a new building when the company outgrew its location. A few years later the company came back to the RDC to help finance an addition to the building to accommodate the growth of sales the company was experiencing. A few years later they were back at the RDC again! That machine tool shop ended up with a total of five

One in three small businesses that received credit in the first half of 2014, received that credit in the form of an SBA loan

Source: Joint Small Business Credit Survey Report, 2014. Federal Reserve Banks of New York, Atlanta, Cleveland and Philadelphia

504 loans over a 10 year time span.”

“The variety of business that have utilized the SBA 504 loan is remarkable. The RDC has helped companies like a coffee bean roaster, a spice manufacturer, several beauty salons and even a grocery store,” she added.

SBA 504 loans are administered by Certified Development Companies like the RDC, who partners with local financial institutions. One of the greatest benefits of 504s are low down payments they require, which enables business owners to retain their cash for other associated expansion needs, such as increased payroll, inventory, and working capital. SBA 504 loans offer long-term, low-fixed interest-rate financing for all of a company’s hard asset needs. In most cases, a bank will finance the first 50 percent of the project costs, the RDC finances the next 40 percent, and the borrower provides a 10 percent down payment.

With just 10 percent required up front, most small businesses find that their particular plans for growth or expansion are more readily obtainable than previously thought. And yet, there are still numerous other ways in which SBA loans can assist small companies with more than just hard assets.

SBA loans differ from typical bank loans in several key ways, many of which are advantageous for small companies. As Dombey explained, traditional bank loans often require a 25 percent down payment on commercial real estate purchases, and many small businesses do not have access to a sufficient level of capital to fund the projects they are hoping to complete. Other businesses need a line of credit to fund the purchase of inventory or to carry their accounts receivable. Banks do not assign a high value to these items as collateral for loans, so requests for credit are often denied for that reason.

This is exactly the point at which SBA loans can really step in and help, beyond the hard assets that 504 loans are used to purchase. Regardless of whether it’s a start-up compa-

ny looking for initial capital, or an experienced business looking to grow its operations, the SBA 7(a) loan program can be used for everything from working capital and operating expenses, to purchase inventory, to acquire another business and even for accounts receivable lines of credit.

SBA 7(a) loans are administered through banks and are a great option for loan requests that need additional collateral support. The 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.

In the end, it all comes down to one thing: helping small businesses – a vital component of the American economy – find the right pathways for continued growth. If you’re a small business owner with dreams of expansion, or a new product line, or other business goals, make an appointment to discuss these ideas with your local financial institution or the experts at the Regional Development Company. Learning that your dreams can very likely become reality may just surprise you. ♦



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