



LAW ADVOCATE GROUP, LLP

9701 Wilshire Blvd. Suite 1000 Beverly Hills, CA 90212

Phone: 310-651-3065 Fax: 310-601-7110

www.LawAdvocateGroup.com

Doron F. Eghbali Business Planning Law

[How SBA Micro Lending Could Help Your Business Capital](#)

Wednesday, November 3, 2010 by [Doron F. Eghbali](#)

In these extremely tough economic times, businesses cannot obtain capital funds from lenders, creditors or other sources such as friends or relatives. As such, this behooves small businesses to know where they could find help, whatever small it is to survive and maintain their business. Small Business Administration (SBA) has a micro lending program in which it seeks to facilitate lending relatively small amount of money - up to \$35,000 - to small businesses, with some strings attached. Let us further explore this micro-lending option.

1. WHAT IS MICRO LENDING?

SBA Micro lending is mostly geared toward start ups, newly established or growing small businesses, with loans up to \$35,000. Such micro lending seeks to assist borrowers with little or no credit history, low-income borrowers and minorities, not qualified for larger SBA guaranteed loans.

SBA does not directly provide the loan to businesses. Instead, SBA provides funds to especially-designated intermediary lenders. Such lenders are non-profit community lenders experienced in lending, management and technical assistance. The average size of such loans is about \$13,000.

2. WHAT ARE SOME OF THE REQUIREMENTS OF SBA MICRO LENDING?

- **TERMS:** Loan terms differ based on the amount of loan, the risks involved, the requirements of the lender and the needs of the borrower. However, most of such loans require personal guarantees.
- **TECHNICAL REQUIREMENTS:** Borrowers may be required to fulfill planning or training requirements EVEN BEFORE they are considered for loan application.
- **INTEREST RATES:** Interest rates for such loans range from 8 to 13 percent.

- **CREDIT SCORE:** Probably, a credit score above 575 is required. However, lenders assert credit score is not the predominant factor, as they look at whether the business can take on new debt without being crippled further.
- **TERM:** The longest term allowed for such micro loans is six years. This means you have to pay them off in six years and your loan's principal and payment reflect such reality.
- **SANCTIONED USES OF FUNDS:** The funds **MUST BE USED** for working capital **OR** purchase of inventory, supplies, fixtures, machinery **AND** equipment. However, such funds **CANNOT BE USED** to pay existing loans **OR** purchase of real estate.
- **COLLATERAL:** Although requirements to some extent differ from lender to lender, usually all lenders require some kind of collateral **AND** personal guaranty.

3. CAVEAT

Despite the existence of such program, not every business should take on more debt. This decision **MUST** be based on accurate long-term business evaluation and the realistic expectation for the business to comfortably take on more debt in volatile economic times.

***DORON EGHBALI** is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. Doron Can Be Reached at: 310-612-6201. For More Information, Please, Visit: HERE.*