

Ask SCORE...

Counselors to Naples Area Small Businesses

SCORE Naples
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Got business questions?

Ask SCORE

By: Gray Poehler, Business Counselor

PATRIOT EXPRESS BUSINESS LOANS FOR VETERANS

QUESTION: *Your column recently mentioned a Small Business Administration loan program called Patriot Express for military veterans and their families. Can you provide more details about the program?*

Geoff M., Bonita Springs

ANSWER: *Geoff, Yes, if you are a current member or veteran of the military, the Reserves, National Guard or a spouse or widow of any of these you may qualify for a Small Business Administration loan guarantee from a participating lender. To find a participating lender go to www.sba.gov/patriotexpress.index.html. Click on "Lender List & PE Forms" and then click on "Approved Patriot Express Lenders." This will bring up a national list of lenders, some of whom are domiciled or have branches in Southwest Florida.*

Banks generally like the program because the government guarantees up to 85% of the loan if the borrower defaults. Loans can be used for a variety of purposes such as working capital, startup, expansion, purchase of equipment, inventory or business-occupied real estate.

The SBA guarantees 85% of loans up to \$150,000 and 75% from \$150,000 to \$500,000. For loans of more than \$350,000 lenders are required to take all available collateral, possibly including the deed on your home. Most banks will also require owner equity, which means you must put up to 25% of your own money into the business, independent of the SBA loan. The logic here is if you don't have the confidence to invest your own funds, why should the lender invest in you?

Make no mistake; this is not a government welfare program. Borrowers must qualify based on credit score, collateral, owner equity, a solid business plan, and demonstrate an ability to repay the loan in a timely fashion. However, if you are having trouble securing a conventional business loan, an SBA guarantee may be the solution.

Loan interest rates float with the prime rate, currently 5%. The maximum is 2.25% to 4.75% over prime, depending on the size and maturity of the loan. If you are credit worthy banks will compete, so be sure to shop around for the best deal. You will also pay a loan fee that will range from 1.7% to 2.25% of the loan amount. This is a fee charged by SBA for its loan guarantee and is passed along to the borrower by the lender. The fee can come out of loan proceeds if a portion of the loan is marked for working capital.

The wait to get loan proceeds is not long. Once you have completed the application process, the SBA will usually give your lender an answer within 36 hours. Banks run the credit checks and give approval based on their lending criteria. If you are eligible, you should receive your loan in approximately three weeks. Read more about the program at www.sba.gov/patriotexpress. The Patriot Express program may not last forever. It will operate through December 31, 2010, unless the SBA decides to extend the expiration date.

Applicants are well advised to first complete a written business plan, including a personal financial statement and a 12 month income and expense cash flow exhibit. Assistance, without charge, is available from The Naples Chapter of SCORE, Counselors to America's Small Business. There you will find over forty experienced and dedicated volunteers from all walks of business life. Just call 239-430-0081 or visit www.scorenaples.org and click on "Request counseling now as a first time client." The SCORE business office is located at 900 Goodlette Road North, in the Fifth Third branch bank building. Office hours are 9:00 am to Noon, Monday through Friday.

If you would like an answer to your question, please fill out the form located at www.scorenaples.org/askscore. Please include your name and email address.