

# *Pre-Qualification Loan Program*

## Fact Sheet



### U.S. Small Business Administration

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#### Who Is Eligible?

Businesses that:

- Are at least 51 percent owned, operated and managed by minorities, women; and veterans,
- Have average annual sales for the preceding three years that do not exceed \$5 million; and
- Employ less than 100 persons, including affiliates.

#### How Much Money Can I Borrow?

Loans under this program are limited to amounts of \$250,000.

#### The Pre-Qualification Process

#### Document Preparation

The business owner works with a nonprofit technical-assistance organization

(intermediary) in her/his area to prepare a business plan and complete a pre-qualification loan application.

#### Application Submission

The intermediary reviews credit information, performs a loan analysis, and submits the application to the SBA for approval.

#### Application Review

The SBA reviews the completed application to determine whether it meets the requirements for a guaranteed loan and makes a decision regarding a loan pre-qualification.

#### Qualification

If the SBA approves the application, the agency issues a pre-qualification letter. The letter states the SBA's intent to authorize a loan guaranty.

## Lender Selection

When an applicant receives the SBA's Pre-Qualification letter, the intermediary can assist her in locating a lender offering the most competitive loan rates.

## Interest Rates

Applicants negotiate terms with the lender. Interest rates are tied to the prime rate and may be fixed or variable; however, they cannot exceed the following maximums established by the SBA: Loans of less than seven years, up to 2.25 percent over prime; for loans of seven years or longer, up to 2.75 percent over prime. (Loans under \$50,000 may be subject to slightly higher rates.)

## Maturity

Length of time for repayment depends on the ability to repay, and the use of the loan proceeds. Generally, loan maturities will be between five and 10 years for working capital loans; up to 10 years for machinery and equipment; and up to 25 years for real estate, construction or the purchase of equipment with a useful life of 25 years.

## Collateral

Primary criteria for a pre-qualification are the ability to repay the loan, a good business plan and good credit. Normally, business assets will be pledged, and personal assets when warranted. However, loans will not be declined where inadequate collateral is the only unfavorable factor.

All owners of 20 percent or more of the business are required to personally guarantee the note.

## Equity

The applicant must have a reasonable investment in the business.

## Intermediaries

**Greater Newark Business Development Consortium**  
744 Broad Street, 27<sup>th</sup> Floor  
Newark, New Jersey 07102  
Contact: Frank McIver  
(973) 242-4404

**County of Passaic**  
Department of Economic Development  
401 Grand Street, Suite 511  
Paterson, New Jersey 07505  
Contact: Deborah Hoffman  
(973) 881-4427

**Regional Business Assistance Corporation**  
247 E. Front Street  
Trenton, New Jersey 08611  
Contact: Deborah Osgood  
(609) 396-2595