ment, tools, dies, installation costs, etc., are not eligible under this plan. If working capital is required, or if a used machine tool manufactured before 1950 is involved, apply for a *regular* SBA business loan.

TYPES OF LOANS

There are three types of SBA loans available under this program:

(1) *Guarantee.*—if a bank will make the loan under SBA's Guarantee program, the Agency can guarantee up to $350,000 for the purchase of used machine tools.

(2) *Immediate Participation.*—if a guaranteed loan is not available, but a bank will participate immediately, SBA can lend up to $150,000 in its Participation program.

(3) *Direct.*—if no bank participation is available, SBA may through its Direct program loan up to $100,000.

In each case the entire loan proceeds must be used to finance up to 80% of the delivered cost of the used machine tool, and numerical controls may be included in the financing.

TERMS

Purchasers of the machinery must provide at least 20% of the cost. An SBA appraisal report shall be required to determine reasonableness of cost.

Payments may extend for up to 5 years, amortized on a level monthly payment basis.

The only collateral required is a first lien on the machinery plus unsecured guarantees in some cases.

INTEREST RATES

Interest rates on SBA's portion of Immediate Participations, as well as Direct Loans, may not exceed 5½%. The bank sets the interest rate (not to exceed 8% simple interest) on Guaranteed loans and its portions of Immediate Participation loans.

CREDIT AVAILABILITY

One important requirement applies to all SBA loans. By law, the Agency may not make a loan if a business can obtain funds *under reasonable rates and terms,* from a bank or other private source. (The word *reasonable* is not clear cut and must be interpreted by your local SBA office based on its local banking conditions.) You therefore must first seek private financing before applying to SBA. This means that you must apply for a loan to your local bank; if you live in a larger city—one with more than 200,000 people—you must apply to two banks.

The company receiving the loan must be in sound financial condition, and there must be reasonable assurance of repayment.

HOW TO APPLY

To apply for SBA assistance, your customer must follow these steps:

1. Prepare a current Financial Statement (Balance Sheet) listing all assets and all liabilities of the business—do not include personal items.
2. Have an Earnings (Profit & Loss) Statement for the previous full year and for the current period to the date of the Balance Sheet referred to above.
3. Prepare a current personal Financial Statement of the owner or each partner, or each stockholder owning 20% or more of the corporate stock in the business.
4. State amount of loan requested, and explain exact purposes for which it will be used.
5. Take the above material to his banker and ask for a direct loan. If declined, ask the bank to have the loan guaranteed under SBA's Loan Guarantee Plan or to participate with SBA in a loan. If the bank is interested, ask the banker to contact SBA for discussion of the application. In most cases, SBA will deal directly with the bank.
6. Have available a complete description of the machine tool including year of manufacture, serial, condition and other pertinent data.

WHERE TO APPLY

1. First, have your customer apply to his bank. If his bank is interested, they will provide the necessary loan forms.
2. If a Guarantee or a Participation loan is not available through your bank, write or visit the nearest SBA office.