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Financial Terms



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SBA Lender

The SBA is not a lender, but rather guarantees small business loans offered by traditional lenders like participating banks and credit unions to encourage lending to small businesses across the country. The SBA works with designated intermediary lenders across the country to provide financing to small businesses.

EIDL

SBA's Economic Injury Disaster Loans (EIDL) provides an emergency grant of up to \$10,000 to small businesses and private non-profits — which functions as an advance on the loan. This grant is available within 3 days of applying, and does not have to be paid back if the loan is denied. EIDLs are loans up to \$2 million with interest rates of 3.75% for businesses and 2.75% for nonprofits, and principal and interest payments deferred up to 4 years. These loans can be used to cover paid sick leave, increased costs, rent or mortgage payments, and maintain payroll. The period for applications is January 31, 2020, to December 31, 2020. The following are eligible for EIDL:

- a business with not more than 500 employees,
- any individual who operates under a sole proprietorship, with or without employees, or as an independent contractor,
- private nonprofit organizations,
- a tribal small business with not more than 500 employees,
- a cooperative with not more than 500 employees,
- an Employee Stock Ownership Plan (ESOP) with not more than 500 employees, and
- small agricultural cooperatives

PPP

SBA's PPP program supports small businesses with 500 or fewer employees. These businesses can apply for zero-fee loans of up to \$10 million to cover 8 weeks of payroll and other operating expenses like mortgage, rent and utility costs under the Paycheck Protection Program. Eligible businesses include:

- Sole proprietorship and independent contractors; it also includes nonprofits, veterans organizations and tribal businesses.
- This program is retroactive to February 15th, to help bring workers who may have already been laid off back onto payrolls.
- Businesses can apply for these loans through existing Small Business Administration (SBA) lenders. Loans will be available through June 30, 2020.

Annual Percentage Rate

APR is the more effective rate to consider when comparing loans. The APR includes not only the interest expense on the loan but also all fees and other costs involved in procuring the loan. These fees can include broker fees, closing costs, rebates, and discount points. These are often expressed as a percentage. The APR should always be greater than or equal to the nominal interest rate, except in the case of a specialized deal where a lender is offering a rebate on a portion of your interest expense.

Balance Sheet

A balance sheet or statement of financial position or statement of financial condition is a summary of the financial balances of an individual or organization, whether it be a sole proprietorship, a business partnership, a corporation, private limited company or other organization such as Government or not-for-profit entity. Assets, liabilities and ownership equity are listed as of a specific date, such as the end of its financial year. A balance sheet is often described as a "snapshot of a company's financial condition".

Business Loan

A loan is the lending of money by one or more individuals, organizations, or other entities to other individuals, organizations, etc. The recipient (i.e., the borrower) incurs a debt and is usually liable to pay interest on that debt until it is repaid as well as to repay the principal amount borrowed.

Creditor

A person or company to whom money is owed.

Fixed Rate

A fixed interest rate is an interest rate that doesn't go up or down with the prime rate or other index rate, so it generally stays the same. But that doesn't mean your fixed rate can never change — a lender can change your fixed interest rate under certain circumstances.

Forbearance

A special agreement between a lender and borrower to delay legal action when a borrower is unable to meet their repayment terms. This period and the payment plan depend on the details of the agreement that is accepted by both parties.

Forgivable Loan

A forgivable loan is a type of loan that businesses do not have to pay back so long as the borrower follows the conditions and terms by a predetermined date.

Grant

Sum of money given by a government or other organization for a particular purpose. Often, grants are not repaid back and does not include fees.

Interest Rate

The advertised rate, or nominal interest rate, is used when calculating the interest expense on your loan. For example, if you were considering a business loan for \$200,000 with a 6% interest rate, your annual interest expense would amount to \$12,000, or a monthly payment of \$1,000.

Loan Origination

Origination Date means the date the financing contract was originated between the borrower and lender.

Payment Deferral

The action or fact of putting a payment off to a later time; postponement.

Personal Guarantee

A personal guarantee is an individual's legal promise to repay credit issued to a business for which they serve as an executive or partner. Providing a personal guarantee means that if the business becomes unable to repay a debt then the individual is personally responsible.

Profit and Loss Statement

The profit and loss (P&L) statement is a financial statement that summarizes the revenues, costs and expenses incurred during a specified period, usually a fiscal quarter or year. The P&L statement is synonymous with the income statement.

Promissory Note

The document evidencing the debt (e.g., a promissory note) will normally specify, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and the date of repayment.

Type of Debt

The SBA is not a lender, but rather guarantees small business loans offered by traditional lenders like participating banks and credit unions.

Underwriter

Underwriting services are provided by some large financial institutions, such as banks, or insurance or investment houses, whereby they guarantee payment in case of damage or financial loss and accept the financial risk for liability arising from such guarantee.