THE BIG PICTURE: SMALL-BUSINESS LOANS IN TODAY'S ECONOMY

Tips for Getting Your Loan Approved

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(Sam's Club is a division of Wal-Mart Stores, Inc. (NYSE:WMT)

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THE ECONOMIC IMPACT ON SMALL-BUSINESS LOANS

Even with the economy being the number one factor facing small businesses in 2009, small-business loans are still expected to increase this year. With job losses high and traditional employment options limited, many people will turn to self-employment and small business, says the Small Business Labs *2009 Top 10 Small Business Trends* article—from the website dedicated to tracking and forecasting the trends impacting the future of small business.

As proof, the previous three recessions have seen an increase in the number of small businesses being formed, and now it's easier and cheaper than ever to invest in a start-up. While failure rates will also increase, these failures won't be great enough to offset the number of new small and personal businesses.

Additionally, baby boomers will have to extend their working years, and small businesses will be their best, and sometimes only, option. And on the flip side, "Generation Y" will continue to be more entrepreneurial than youth in recent generations. Small businesses are appearing more attractive to this generation due to limited opportunities with big businesses and the low costs and risks of starting their own companies.

TYPES OF SMALL-BUSINESS LOANS

There are many types of small-business loans available for owners and operators, both short- and long-term. Of course the type of loan you should apply for depends upon your individual situation. Below is a list of just some of the small-business loans available.

- Accounts Receivable Financing—Loans taken out to provide working capital for a small business, with its accounts receivable (invoices sent out to clients for goods or services) rendered as collateral.
- Asset-Based Lending Loan—A short-term loan secured by a company's assets. An asset-based lending loan is one where the borrower pledges related business assets as collateral.

- Bootstrapping—A type of business funding that seeks to avoid relying on outside investors. By not relying on outside sources of funding, the business will not have to dilute ownership through issuing equity, and will not rely on outside banks for debt.
- Bridge Loan—A short-term loan to fund a business project. It is not typically acquired from a bank; it usually comes from private lenders or funding companies.
- Business Credit Card—Small-business credit cards have become a much demanded product and are often used as a source of funding to start up a business.
- Equipment Financing Loan—A type of business loan where equipment serves as collateral.
- Factoring Invoice—Financing where an accounts receivable factoring company purchases the invoices (accounts receivable) of other businesses at a discounted price (usually 60–75 percent of the value of the invoice, depending on how old it is), and takes on the risk and responsibility of collecting the money owed from the smaller businesses' clients.
- Franchise Loan—Used for purchasing a new franchise or expanding an existing one.
- Hard Money Loan—Asset-based loan financing where the borrower receives funds that are secured with real estate.
- Home Equity Loan—Personal property acts as collateral for obtaining this type of a business loan.
- Inventory Financing Loan—Inventory serves as collateral for this financing.
- Line of Credit less than $100K and more than $100K A lender agrees to loan a specific amount of money for a specified amount of time, and allows the borrower to borrow the money again once it has been repaid.
- Retail/Merchant Cash Advance—A business loan based on projected credit card receivables.

- SBA Loan—Loans made by a local bank and guaranteed by the U.S. Small Business Administration. There are various types of SBA loans, but the four major categories are—
    a. Basic 7(a) Loan Guaranty—Serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels.
    b. Certified Development Company (CDC), a 504 Loan Program—Provides long-term fixed-rate financing to small businesses to acquire real estate, machinery or equipment for expansion or modernization.
    c. Microloan, a 7(m) Loan Program—Provides short-term loans of up to $35,000 to small businesses and not-for-profit child-care centers for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment.
    d. ARC Bridge Loans—The newest form of SBA loan, that began on June 15, 2009, and will be available through September 30, 2010, or when the money is depleted. These are deferred-payment loans of up to $35,000 available to established, viable for-profit small businesses that are suffering a current hardship and need short-term help to make principal and interest payments on existing debt. These loans are interest-free to the borrower (you), and 100 percent guaranteed by the SBA. (For other government assisted programs, refer to the "Government Assistance" section below.)
- Term-Loan—Short-term loans must usually be repaid in a year or less. They are often set at a fixed interest rate, and many require some sort of collateral or security.
- Unsecured Business Loan More Than $25K and Less Than $25K—These lending packages do not require you to put up collateral in exchange for financing.
- Working Capital Loan—A short-term loan that is used to help sustain a business during a time of need.

Next Section:"How to Obtain and Use Small-Business Loans" Visit www.samsclub.com/smallbusiness/pressrelease to download the full version