



# CNB BUSINESS<sup>®</sup> BROADCAST

NEWSLETTER FOR BUSINESS CLIENTS OF CANANDAIGUA NATIONAL BANK & TRUST

## An Overview of SBA Lending

The Small Business Administration (SBA) works with lenders to provide loans to small businesses. Instead of lending money directly to business owners, they work with the lenders to guarantee the loans and reduce the risk.

### Eligibility Requirements

Generally speaking, eligibility is based on type of business, the character of its ownership, and where the business operates. Businesses must meet size standards, show the ability to repay the loan, and have a sound business purpose. They must also:

- Be a for-profit business – registered and operating legally.
- Do business in the USA – must be physically located in the US or one of its territories.
- Have invested equity – the business owner has invested their own time and money into the business.
- Exhausted other financing options – the business is unable to get funds from conventional sources. This does not mean that the borrower needs to demonstrate that it has been declined by a financial institution, but the lender providing the SBA loan certifies that funding is not available to the borrower from other sources.

### Types of SBA Loans

**Standard 7(a)** – Maximum loan amount is \$5 million. Maximum guaranty amounts are 85% for loans up to \$150,000 and 75% for loans greater than \$150,000. The eligibility and credit decision is made by the SBA, and their turnaround time is between 5 - 10 business days from the time the loan application is submitted by the lender.

**7(a) PLP** - PLP is the preferred lenders program. Qualified lenders are delegated authority by the SBA to make eligibility and credit decisions without SBA review. This speeds up the turnaround time considerably.

**7(a) Small Loan** – Maximum loan amount is \$350,000. Maximum guaranty amounts are 85% for loans up to \$150,000 and 75% for loans greater than \$150,000. The credit decision is made through a credit scoring model so the turnaround time is faster.

**SBA Express** – Maximum loan amount is \$350,000. The maximum guaranty amount is 50%. The eligibility and credit decision is made by the lender.

**Export Express** – This program provides exporters and lenders with a streamlined method to obtain SBA backed financing up to \$500,000. The SBA turns these loans around in 24 hours. The maximum guaranty amount is 90% for loans of \$350,000 or less, and 75% for loans over \$350,000.

**Export Working Capital** – Loans are for businesses that have export sales and need additional working capital to support these sales. Maximum loan amount is \$5 million and the maximum guaranty amount is 90%. The eligibility and credit decision is made by the SBA and the turnaround time is 5 - 10 days.

**International Trade** - Provides long-term financing to businesses that are expanding because of growing export sales, or have been adversely effected by imports and need to modernize in order to compete with foreign competition. Businesses can use this type of loan for construction, to purchase fixed assets, or for working capital for export transactions. The maximum loan amount is \$5 million and the maximum guaranty is 90%. The eligibility and credit decision is made by the SBA.

**Veterans Advantage** – Veteran-owned businesses are one of the fastest growing segments of the US economy. SBA loans to a veteran-owned business come with reduced fees. To be eligible to receive reduced fees through this program, the business must be owned at least 51% and controlled by one of the following:

- Honorably discharged veterans
- Service disabled veterans
- Active duty military eligible for the military's Transition Assistance Program
- Reservists and National Guard members
- Any current spouse of one of the above mentioned groups or the widowed spouse of a service member who died while in service or as the result of a service-related disability.

**CAPLines** – This is an umbrella program that helps small businesses with short-term and cyclical working capital needs. The following are the different kind of CAPLines in the program:

- **Seasonal CAPLine** – used solely for financing seasonal increases of accounts receivable and inventory.
- **Contract CAPLine** – used to finance direct labor and material costs associated with performing contracts that are assignable.
- **Builders CAPLine** – used to finance direct labor and material costs for small general contractors/builders that are building/renovating commercial/residential buildings. The building project is used as collateral.
- **Working CAPLine** – this is an asset-based revolving line of credit. The business continually draws from this line based on existing assets and repays as their cash cycle dictates.

**SBA 504 Loans** – 504 loans are a great option for businesses in need of financing for the acquisition or improvement of owner occupied real estate and/or equipment. They can also be used to refinance debt that was used for these purposes. This program is attractive to a lot of businesses because it can have low down payments (as low as 10%), and it can also have attractive long term fixed interest rates.

**Call our Commercial Lending Team today at (585) 419-0670 to discuss your SBA financing options.**

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## 401(k) Retirement Plans for Small Business

Establishing a 401(k) retirement plan can benefit both employees and employers alike.

Employees benefit from the ability to make pre-tax contributions, potential income tax savings, increased savings with employer-matched contributions, and more.

As a business owner, not only are you helping your employees save for retirement, a 401(k) may have a favorable impact on your bottom line. In addition to offering a benefit that can increase employee retention, an employer-matched contribution plan allows the employer to take a tax deduction on the dollars matched, lowering the company's overall tax bill. Furthermore, the compounding of interest, dividends, and capital gains allows your account to generate earnings on top of earnings.

Now, establishing such a plan is easier than ever. Utilizing key partners and technology, we are able to offer small to mid-sized companies a simple, single-fee, customizable 401(k) plan.

Our **401(k) Micro Model** will provide you with:

### High Quality Investment Choices

- A dedicated, unbiased investment team designed to source high quality investment choices
- A careful, ongoing monitoring process that reviews every fund's performance and expenses to ensure maximum value
- A two-tiered menu of investment choices for you and your employees

### Consultation, Implementation & Administration of the plan

- Consultation on plan design and procedures
- Provide and assist with key plan documents and regulatory reporting
- Assist with ERISA Fidelity bond, & ERISA Section 404(c) compliance

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- Documentation of the fiduciary decision making and review process
- Third party administrator and record keeper service included

### Plan Participant Education

- Provide annual employee investment education and retirement planning meetings
- Demonstrate website and online education materials
- Meet with your management team to discuss any new developments or employee feedback
- Fully electronic access for plan sponsor and participants, including participant mobile access

### Fiduciary Guidance & Consultation

- Providing ongoing oversight and consultation on plan administration
- Creation and execution of a plan specific investment policy statement
- Offering 3(38) Fiduciary Service for the selection, monitoring and due diligence of the plan's investment choices
- Efficient and accurate plan reporting that includes; fee disclosures, plan expenses and performance

**If you are considering offering a retirement plan to your employees, please give us a call at (585) 419-0670.**

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## BUSINESS LOAN SALE

**Great rates. More options. Local decisions.** It's all about options. Whether it's one of our two term loans or a line of credit, you will start with an attractive introductory rate for the first nine months and then continue to receive a competitive rate for the remainder of your financing commitment.

Contact a Business Banking Officer at (585) 419-0670, or visit your local CNB Office today.

[CNBank.com/BizLoanSale](http://CNBank.com/BizLoanSale)

9-MONTH INTRODUCTORY RATE  
PRIME MINUS 1/2 %\*

**4.75%** APR

**5.99%** APR

FOR THE REMAINDER  
OF THE 3-YEAR TERM

**6.49%** APR

FOR THE REMAINDER  
OF THE 5-YEAR TERM

Need more flexibility? Ask about our  
Line of Credit, variable-rate option.\*

\*Subject to credit approval. Available to new and existing customers for applications received between October 1, 2018 and November 30, 2018. Loan request minimum of \$10,000 and not to exceed \$500,000. Refinancing of existing CNB debt is not eligible. Advertised rates do not apply to existing customers whose total loan exposure, including overdraft and aggregate loan amounts, would exceed \$500,000 with the new request; automatic payment from a CNB business checking account required. Some restrictions apply. CNB is an Equal Opportunity Lender. After the introductory period, the rate will adjust to CNB's standard variable rates respective to the original loan amount requested. Wall Street Journal (Prime) is 5.25% as of October 1, 2018, and is subject to change. Deposit products - Member FDIC