

Frequently Asked Questions (FAQs) Regarding The Gulf Opportunity Pilot Loan Program

[What is the Gulf Opportunity Pilot Loan Program?](#)

The U.S. Small Business Administration has created the Gulf Opportunity Pilot Loan (GO Loan) program to help meet the extraordinary financing needs of the small businesses located in, locating to or re-locating in the parishes/counties, plus any contiguous parishes/counties, that have been declared by the President as disaster areas resulting from Hurricanes Katrina or Rita. (A list of eligible parishes and counties is available at www.sba.gov/financing/goloans). This pilot combines SBA's full 85 percent guaranty with a highly streamlined and expedited loan application process. The pilot, which offers a maximum loan amount of \$150,000, is specifically designed to meet the immediate financing needs of small businesses affected by these recent disasters. It augments other SBA loan programs, particularly SBA's long-term Disaster Assistance loan programs.

[How do I apply for a GO Loan?](#)

Virtually all of SBA's business loan programs are delivered through banks and lending institutions doing business in their local area, with SBA guaranteeing a portion of the loan, so businesses should contact their local SBA lender or their local SBA District Office. Additional information on all of SBA's loan programs is available on the agency's website at <http://www.sba.gov>. (SBA disaster loans, on the other hand, are made directly by SBA and are separate from the GO Loan pilot. Information on SBA disaster loans is available at <http://www.sba.gov/disaster>.)

[How does the GO Loan guaranty work?](#)

Under SBA's loan guaranty concept, commercial lenders make and administer the loans. The business applies to a lender for financing. The lender decides if the loan meets their commercial credit criteria or if the application has some weaknesses which, in their opinion, will require an SBA guaranty to make the loan. The SBA guaranty is only available to the lender. It assures the lender that in the event the borrower does not repay its obligation and a payment default occurs, SBA will reimburse the lender for its loss, up to the percentage of SBA's guaranty. The borrower remains obligated for the full amount of the loan balance due.

[How can I locate a participating lender?](#)

Most lenders participate with SBA, but check with your local SBA District Office (and/or your District Office's website at <http://www.sba.gov>).

What do I need to qualify for a GO Loan?

In order to qualify for a GO Loan, the applicant must be located in an eligible area, must be a small business and must meet several basic eligibility criteria, including being of good character. Management capability and collateral are also important considerations. Also, applicant businesses must operate for profit and must be located in, locating to, or relocating in the affected counties/parishes. However, it should be noted that certain types of businesses are ineligible, such as gambling enterprises. For more information, see <http://www.sba.gov/financing/sbaload/7a.html>.

What type of collateral do I need for a GO Loan?

Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process. All owners of 20 percent or more of the business are required to personally guarantee the SBA loan. SBA does not deny approval for a SBA guaranteed loan solely for a lack of collateral, although it can be considered in addition to other credit factors.

Where do I obtain an application for a GO Loan?

Streamlined application materials have been provided by SBA to all lenders that actively participate with SBA. Applications can be obtained from the lender, but forms are also available online at www.sba.gov/library/forms. However, because there are several SBA loan programs, you should check with a lender before filling out an application to ensure that it is a GO Loan application.

What is the interest rate on GO Loans?

SBA does not set the interest rate on loans, but it does prescribe maximum rates over the Prime rate that a lender may charge. For loans of \$50,000 or less, the maximum interest rate is 6.5 percentage points over Prime, while the maximum rate for loans over \$50,000 is 4.5 percentage points over Prime. However, the actual rate is negotiated between the lender and the borrower.

How long do I have to repay a GO Loan?

The repayment term is generally between five and twenty-five years, depending on the life of the assets being financed and the cash needs of the business. Working capital loans for inventory and accounts receivable should be repaid in five to ten years.

Is there any prepayment penalty?

If a GO Loan has a term of less than 15 years, there is no prepayment penalty. If the GO Loan has a term of 15 years or more and the business voluntarily prepays the loan within the first 3 years, there is a prepayment penalty.