

U. S. Small Business Administration

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DOLLARS & SENSE

March 2009

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STIMULUS BILL AND WHAT IT MEANS TO SBA PROGRAMS

In an effort to help the struggling economy, Congress with the President's approval has passed The American Recovery and Reinvestment Act. The bill contains various initiatives to assist both small businesses and the lending community alike. This piece of legislation has made SBA part of the solution, providing it with specific tools to make it easier and less expensive for small businesses to get loans, give lenders new incentives to make more small business loans, and help unfreeze the secondary markets to boost liquidity in the credit markets.

There's a lot to digest in the legislation, and SBA has established teams to tackle a wide variety of policy decisions, system modifications, regulatory changes, legal requirements, reporting requirements, and new program launches authorized by the President and Congress.

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help. The funding includes:

- \$375 million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed shares, up to 90 percent for certain loans
- \$255 million for a new loan program to help small businesses meet existing debt payments
- \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to Micro-Lenders
- \$20 million for technology systems to streamline SBA's lending and oversight processes
- \$15 million for expanding SBA's Surety Bond Guarantee program
- \$25 million for staffing up to meet demands for new programs
- \$10 million for the Office of Inspector General

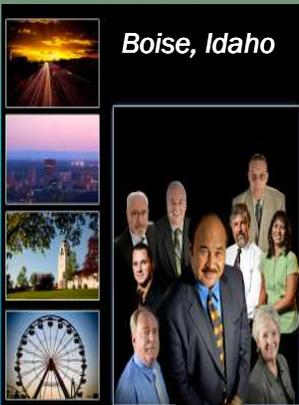
Reduced fees, 90 Percent Guarantee

The bill authorizes SBA to temporarily reduce or eliminate loan fees for borrowers and lenders in its 7(a) guaranteed loan program and the 504 Certified Development Company loan program. The bill also allows SBA to raise its loan guarantee from the current levels to as much as 90 percent. At present, SBA can guaranty non-Express loans up to 85 percent on loans up to \$150,000, and up to 75 percent on loans greater than \$150,000. These steps will make it less costly for small businesses to get SBA-backed loans from their lenders, and create incentives for lenders to make more small business loans by reducing their costs and their risks.

Microloans

The bill expands SBA's existing Microloan program, which provides loans in amounts up to \$35,000 for entrepreneurs who are generally not considered "bankable" by the traditional lending community. The bill provides funding to increase loans from SBA to participating Microlenders by \$50 million through September 30, 2010, and to increase by \$24 million grants to those lenders, which use the funds to provide technical assistance to their borrowers.

***Continued Page 2 ***



Boise, Idaho

Helping small businesses start, grow and succeed.



Your Small Business Resource

STIMULUS CONTINUED FROM PAGE 1

Business Stabilization Loans

The bill authorizes SBA to establish a loan program to provide 100 percent guarantees on deferred-payment, loans to viable small businesses that have a qualifying small business loan and are experiencing immediate financial hardship. The loans can be up to \$35,000, and are to be used to make payments on an existing loan for up to six months. Repayment would not have to begin until 12 months after the loan is disbursed. The Act provides \$255 million for this new program.

Refinancing

The bill also gives SBA the power to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion.

Secondary Market Expansion

The bill authorizes SBA to establish a secondary market for pools of “first lien” loans under its 504 Certified Development Company loan program. These loans – strictly for specific projects involving fixed assets such as land, buildings, and machinery and equipment – typically involve a 10 percent down payment by the borrower, a 40 percent participation by SBA and a loan from a commercial lender for 50 percent of the project. The loan from the commercial lender has no SBA guarantee. This provision authorizes SBA to deploy federal guarantees for pools made of the non-federally guaranteed private sector lender portion of the project, so that they can be sold to investors in the secondary market.

The bill empowers SBA to set up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for SBA-guaranteed loans. These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market.

Venture Capital

The bill simplifies the maximum levels of funding the agency can provide to SBA-licensed Small Business Investment Companies (SBICs), setting it at up to three times the private capital raised by those companies, or \$150 million, whichever is less, except that when two or more SBICs are owned and controlled by the same investors, the amount can't be more than \$225 million. The maximums are higher for SBICs that pledge to invest more than half their dollars in businesses located in low-income areas. The bill also raises the percentage any one SBIC can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of dollar investments that must be made in “smaller” businesses.

Surety Bonds

The bill provides \$15 million for the Surety Bond Guarantees Revolving Fund, which supports SBA-backed surety bonds issued by private surety companies to small businesses, which need them in order bid on many contracts and ensure that they perform on contracts they win. The bill also raises the maximum bond amount to from \$2 million to \$5 million, and, under certain circumstances, for total work orders or contracts amounting to \$10 million.

Infrastructure

The bill provides \$20 million for improvements to its information technology systems.

As more details on implementation begin to materialize, SBA offices around the country will be briefing it's Lenders, Resource Partners, and the General Public on the parameters of this legislation.

FREE CLASSES TO THE PUBLIC

Boise Business Basics

380 E Parkcenter Blvd
Suite 330
Boise, Idaho
March 10
April 14th
4:30pm to 6:30pm

ABC's of SBA Business Loans

Boise
March 18th
April 1st & 15th
11:45am to 12:45 pm
Nampa
March 24th & May 26th
4:30pm to 5:30pm

Nampa Business Basics

Hispanic Cultural Center
315 Stampede Drive
4:40-6:30pm
Nampa, Idaho
April 28th

SBA Revises Standard Operating Procedure; Makes it Easier for Lenders to Refinance Existing Lines of Credit

The U.S. Small Business Administration today released the first revision to its procedural guidance governing lender participation and loan processing for the two SBA major loan guarantee programs: 7(a) and 504. The revisions to the Standard Operating Procedure 50 10 (5) reflect suggestions made by participating lenders and includes a modification to SBA's policy on refinancing existing lines of credit. The change will make it easier for lenders to use the 7(a) loan guarantee program to refinance an existing line of credit, especially as a part of a complete refinancing of a small business borrower's debt.

The revision will be known as SOP 50 10 (5A) and will be effective for loans approved on or after March 1, 2009.

Last August, the SBA implemented the first major overhaul to SOP 50 10 in ten years, which included streamlining it from 1,000 pages to 400 and making it more logically organized and user friendly. As a part of the overhaul, the SOP was converted into an electronic document using hyperlinks to take users to relevant regulations and forms.

The agency made a commitment to update the document semi-annually. This commitment reflects the dynamic nature of the small business environment and the need to keep SBA policies and procedures current.

For more information about all of the SBA's programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA or TDD 704-344-6640 or visit the SBA's Web site at <http://www.sba.gov>.

You can receive all of the SBA's News Releases via email. To subscribe, visit <http://web.sba.gov/list> and select "Press Office."

FROM THE DISTRICT DIRECTOR



With all of the negative press the economy seems to be getting these days it seems few are actually speaking about some basic remedies that could help your small businesses cope during an economic downturn. Many of these remedies are right at the fingertips of each small business owner and cost little or nothing at all. Recently, our country has been able to operate as though success knew no end and in doing so, they have become used to easily accessible lines of credit that sustained their day-to-day operations. With banks harboring reserves and using a much tougher matrix to screen credit applicants, many have had a tough time maintaining their operations. Using diligent evaluation methods, businesses can implement a few cost saving tips that could offset some of the losses in working capital previously offered by banks. Remember, there is an upside for every down and I encourage you to use this opportunity to not only reinvent your methods, but closely evaluate them as well. You may find that the changes you make now will ultimately breed future success that exceeds any precedent you had known before.

Here are some tips to help get you started:

1. Investigate SBA's loan programs and counseling that may facilitate the re-structuring of debt while identifying a suitable strategy for your business.
2. Evaluate your expenditures with a fine tooth comb. If it is something that your business can do without i.e. luxury items, eliminate them.
3. Look into re-negotiating current accounts such rentals, communications, and professional memberships.
4. Put off buying that brand new piece of capital equipment and refurbish an older yet capable one.
5. Reduce overtime unless absolutely vital to the sustainment of your operation.

While these may seem to be "common" steps for the established business, all too often owners find themselves so caught up in the "what if's" that they fail to look to their beginnings which happens to lend itself well to reevaluating one's business foundation. With any economic cycle, things will fluctuate be it for better or worse but regardless, now is the time to reflect, evaluate, and implement.

LOAN STATISTICS ENDING FEBRUARY FY 2009

Top Ten SBA 7(a) Lenders

| | #'s | Amount |
|--------------------------|-----|-------------|
| Zions Bank | 41 | \$3,943,900 |
| Mountain West Bank | 18 | \$806,300 |
| US Bank | 16 | \$329,600 |
| Wells Fargo Bank | 10 | \$3,062,100 |
| DL Evans | 8 | \$1,052,000 |
| Bank of Idaho | 5 | \$663,500 |
| Key Bank | 5 | \$358,100 |
| Bank of Cascades | 4 | \$1,767,100 |
| Superior Financial Group | 3 | \$32,500 |
| Banco Popular N America | 2 | \$591,300 |

Certified Development Companies

| | | |
|----------------------------|----|-------------|
| Capital Matrix, Inc. | 13 | \$4,091,000 |
| The Development Co | 7 | \$2,807,000 |
| Region IV Development Corp | 6 | \$1,740,000 |
| Eastern Idaho Dev Corp | 3 | \$1,218,000 |

LENDER TRAINING UPDATES

Region X Lender Training Opportunity
Alaska, Idaho, Oregon, Washington

Lender Training Conference Call
Wednesday, March 11, 2009

Topic: The American Recovery and Reinvestment Act - The Stimulus Bill and Impact on SBA Programs



Join us and learn about The American Recovery and Reinvestment Act and how it will affect SBA programs to include the SBA Guaranteed Loans. Topics of discussion: Loan fees and guarantees, creation of new SBA programs, incentives for the secondary market, and enhancement of the current SBA programs that will help unlock credit markets and begin economic recovery for the nation's small business sector.

Presenter: Representative from - SBA Office of Capital Access

Time: 8:30-9:30 AM - Alaska
9:30-10:30 AM - Washington and Oregon
10:30-11:30 AM - Idaho

You can sign on 5 minutes early. Because we are limited to 99 incoming lines and anticipate a large participation in this training, please coordinate your participants by using only one sign in line per location.

Phone login: Dial toll free 1-866-740-1260. Enter the access code: 3108401, followed by the # key, to join the call.

Internet login: Go to www.readytalk.com. Enter the access code: 3108401 under "participant login" and click on "join."

To check your browser for compatibility prior to the call, please go to www.readytalk.com, click on the "test your computer" link in the green area of the "Join a Meeting" box and download or update any necessary software.

ReadyTalk etiquette: Please use ReadyTalk command "**6" to mute your phone during the call. Background office noises (conversations, telephones ringing, fax machines, sirens in the street, etc) degrade the quality of the training. You can use ReadyTalk command "**7" to remove the mute command to ask a question. Also, please do not put your phone on hold during a ReadyTalk call.

Questions — Call 208-334-9004

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Russ Butler, ext 342 or e-mail: russell.butler@sba.gov
Lance Foster, ext 334 or e-mail: lance.foster@sba.gov

No Seats Left

Boise District Office
Lenders Round Table
9:00 to 11:00 – March 17, 2009
Topics
Stimulus – Recovery Act 2009
SOP 50 10(5)a – Revised March 1, 2009
New Servicing Matrix

EXPORTING: Where is the Money?

Learn How to Export Into New Markets

March 19, 2009

8:30 a.m. – noon

The SBA Boise District Office