

# WYOMING LENDER ALERT

July 2009

**U.S. Small Business  
Administration**

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## SBA'S ECONOMIC RECOVERY EFFORTS AND IMPACT

The SBA received \$730 million in the Recovery Act to help unlock the small business lending market and get much needed capital flowing again to America's small businesses.

### **SBA Recovery Programs:**

As of June 15, SBA will have implemented more than \$645 million of the \$730 million SBA Recovery Act funding.

**o Eliminating and Reducing Loan Fees:** On March 16, SBA implemented temporary fee elimination for borrowers on its 7(a) loans and for both borrowers and lenders on its 504 loans.

**o 90 Percent Guarantee on 7(a) Loans:** On March 16, SBA temporarily raised the guarantee on most of its 7(a) loans to as much as 90 percent, up from 75 percent and 85 percent depending on the size of loan.

**o Doubling Surety Bond Guarantee:** On March 27, the SBA more than doubled its maximum surety bond guarantee from \$2 million to \$5 million, providing small businesses with another tool to help them compete for federal construction and ser-

vice contracts.

**o ARC Loan Program:** On June 15, SBA's new, temporary ARC program began providing loans of up to \$35,000 to viable, but struggling small businesses to help them make debt payments. The no-interest, deferred repayment loan will provide a "bridge" for many small businesses through these tough economic times.

In the coming weeks, SBA will announce the expansion of some existing programs and the implementation of several others with Recovery Act funding, including:

**o Expanded Microloans:** The current 2009 Microloan program funding is available in the market place. In addition, the Recovery Act supports an additional \$50 million in loans to microloan intermediaries, and \$24 million in technical assistance to accompany these loans.

**o 504 Loan Debt Refinancing:** This new refinancing option means businesses can expand existing long term projects by refinancing certain existing loans into SBA-backed 504

loans.

**o 504 First Mortgage Secondary Market Guarantee:** Program will guarantee 504 first mortgage pools and provide additional liquidity to the 504 first mortgage market.

The SBA has also implemented two new programs that complement the Recovery Act measures:

**o Expanding Eligibility to more Small Businesses:** On May 1, SBA put in place a temporary alternate size standard for its 7(a) loan program. The step expands eligibility for the 7(a) loan to more than 70,000 additional small businesses.

**o Dealer Floor Plan (DFP) Financing:** Beginning July 1, SBA will offer government guaranteed loans to finance inventory for eligible auto, RV, boat and other dealerships under a new pilot program that will run through Sept. 30, 2010. DFP loans will be available through the 7(a) loan program and borrowers will benefit from the tem-

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porary elimination of fees on 7(a) loans made possible by the Recovery Act.

#### SBA Recovery Efforts Impact to Date:

- o **Loan Volume Has Increased More than 35 Percent:** As of June 12, SBA approved \$3.7 billion in Recovery loans, and supported nearly \$5 billion in lending to small businesses. Since the signing of ARRA, weekly loan dollar volume has risen more than 35 percent in the 7(a) and 504 programs, compared to the weekly average before passage.

#### **o More Lenders Making Loans:**

From Feb. 17 to June 12, 554 lenders that had not made a loan since Oct. 2008 made 7(a) loans. Of those, 262 had not made a loan since at least 2007.

#### **o Broad Support to Small Businesses:**

A significant share of loans supported by Recovery Act funding has gone to rural (25 percent), minority-owned (21 percent), women-owned (19 percent), and veteran-owned (9 percent) businesses.

#### **o Secondary Markets Uptick with 7(a) Loans:**

Secondary market activity with 7(a) loans has shown signs of improve-

ment, providing lenders with additional liquidity to increase small businesses lending. Monthly 7(a) secondary market activity declined to below \$100 million in December and January, a fall from historical monthly averages of \$330 million. The secondary market began recovering in March, and \$325 million in loans settled in May, driven by several large lenders clearing older inventory. While these are positive signs, premiums on loans sold have not returned to historical levels, and SBA continues to monitor this market closely.

*On a monthly basis the SBA's Wyoming District Office sends out a letter to new SBA borrowers ensuring that our records are accurate and request assistance in reporting the following information:*

*Is your loan for International Trade or Exports,*

*Veteran Owned,*

*Women owned business at least 51%,*

*race,*

*or none apply.*

## CHANGES TO SBA 504 LOAN PROGRAM WILL ALLOW BUSINESSES TO REFINANCE EXISTING DEBT, EXPAND, CREATE NEW JOBS

Small businesses seeking to expand will be able to refinance existing loans used to purchase real estate and other fixed assets as a result of permanent changes to the U.S. Small Business Administration's 504 Certified Development Company loan program. The changes were authorized in the American Recovery and Reinvestment Act of 2009.

The permanent changes will allow small businesses to restructure eligible debt to help improve their cash flow which, in turn, will enhance their viability and support growth and job creation.

The 504 loan program can be used to purchase business real estate or fixed assets, such as heavy equipment or machinery, and expand current development projects.

"This is one more piece of the Recovery Act that is going to have a direct impact and put more money in the hands of small business owners just when they need it most," SBA Administrator Karen G. Mills said. "Lower interest rates mean lower payments and less money going out the door each month in debt repayments. That means more cash on hand to keep their doors open, their employees

working and to even expand and create more jobs."

Mills pointed out that the 504 program's refinancing changes are the latest in several Recovery Act provisions that have been implemented by the SBA in recent weeks. On March 16, the agency temporarily raised to 90 percent the guarantee level on many of its 7(a) program loans and reduced fees on both 7(a) and 504 loans, and also doubled to \$5 million the surety bond guarantee level for small businesses competing for construction and ser-



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vice contracts.

Additionally, on June 15, SBA ARC loans became available for viable small businesses facing immediate financial hardship.

"All of these steps, along with other Recovery Act provisions, are aimed at increasing access to capital and giving small businesses just what they need to help lead our nation's economic recovery," Mills said.

The 504 loan program is administered through 271 Certified Development Companies across the nation. SBA today began implementation of the changes by publishing them as a permanent rule in the *Federal Register*.

The changes an-

nounced today include:

**Debt Refinancing:** Legislation allows 504 program projects to include a limited amount of debt refinancing if there is a business expansion and the debt refinanced does not exceed 50 percent of the projected cost of the expansion. "Expansion" includes any project that involves the acquisition, construction or improvement of land, building or equipment for use by the small business. The following are some of the conditions under which borrowers will be eligible for refinancing:

The debt being refinanced was incurred to acquire land, to construct a building or to purchase equipment. The assets acquired must be eligible for financing under the 504 pro-

gram.

The existing debt is collateralized by fixed assets.

The existing debt was incurred for the benefit of the small business.

The new financing provides a substantial benefit to the borrower when pre-payment penalties, financing fees, and other financing costs are taken into account.

The borrower has been current on all payments of existing debt for one year prior to the date of refinancing.

For more information on the 504 loan program and eligibility requirements, go to [www.recovery.gov](http://www.recovery.gov) or [www.sba.gov/recovery](http://www.sba.gov/recovery).

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## SBA'S PATRIOT EXPRESS LOAN INITIATIVE DELIVERS \$315 MILLION TO 3,750 VETS, MILITARY COMMUNITY

In just two year's time, the U.S. Small Business Administration's Patriot Express Pilot Loan Initiative has supported more than \$315 million in loans to more than 3,750 veterans and their spouses who are using the SBA-guaranteed funds to establish and expand their small businesses. As a result of the American Recovery and Reinvestment Act, which raised loan guarantees to 90 percent, and eliminated fees temporarily, the number of Patriot Ex-

press loans increased to record levels in April and May of 2009.

Patriot Express, launched June 28, 2007, builds on the more than \$1 billion in loans SBA guarantees annually for veteran-owned businesses, and the counseling assistance and procurement support it provides each year to more than 200,000 veterans, service-disabled veterans and Reserve members.

This commitment to more than 25 million

veterans across the country, and the thousands returning from the wars in Iraq and Afghanistan is something we at SBA take seriously," SBA Administrator Karen G. Mills said. "The Patriot Express initiative, in conjunction with other SBA programs, goes directly to the needs of our veterans who want to start, or already have their own businesses. This critical access to capital helps them grow their businesses and create

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good paying jobs in their communities."

Patriot Express is a streamlined loan product based on the agency's highly successful SBA Express Program, but with an enhanced guaranty and interest rate. The Patriot Express loan is offered by SBA's network of participating lenders nationwide and features one of SBA's fastest turnaround times for loan approvals. Loans are available up to \$500,000 and qualify for SBA's maximum guaranty of up to 90 percent.

The Patriot Express loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real-estate purchases. Local SBA district offices will have a listing of Patriot Express lenders in their areas. Details on the initiative can be found at [www.sba.gov/patriotexpress](http://www.sba.gov/patriotexpress).

Interest rate maximums for Patriot Express loans are the same as those for regular 7(a) loans: a maximum of Prime + 2.25 percent for maturities under seven years; Prime + 2.75 percent for seven years or more. Interest rates can be higher by two percent for loans of \$25,000 or less; and one percent for loans between \$25,000 and \$50,000.

Patriot Express is available to military community members including veterans, service-disabled veterans, active-duty service members participating in the military's Transition Assistance Program, Reservists and National Guard members, current spouses of any of the above, and the widowed spouse of a service member or veteran who died during service, or of a service-connected disability.

Patriot Express loans have been approved in all 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico and Guam and generally range from \$5,000 to \$375,000 in individual loan amounts. The average loan amount is almost \$85,000. Nearly 15 percent of those loans have gone to military spouses. After loan applications are approved by the bank, they are submitted to SBA for approval. Most applications are approved by SBA within 24 hours.

SBA has veterans' business development officers in district offices in every state and territory able to provide military community members full access to the SBA's range of programs and services. There are also eight Veterans Business Outreach Centers located in: Albany, N.Y.; Pittsburgh, Pa.; Lynn Haven, Fla.; Edinburg, Texas; Sacramento, Calif.; St. Louis, Mo.; Boston, Mass.; and Flint, Mich.

In addition to district offices, SBA's resource partners SCORE, Counselors to America's Small Business, Small Business Development Centers, and Women's Business Centers provide local and online assistance with: writing a business plan, financing options to start or grow your business, managing the business, expanding the business and selling goods and services to the government.

For those who are already small business owners and who expect call-up, the SBA and its resource partners have expertise to assist with preparing their businesses before deployment, managing their businesses, selling goods and services to the government, obtaining other SBA financing and financial assistance, and obtaining loans for economic injury - Military Reserve Economic Injury Disaster Loans (MREIDL) - Loans of up to \$2 million are available for small businesses sustaining economic injury because an owner or essential employee has been called to active duty as a military reservist.

The SBA and its Office of Veterans Business Development (OVBD) provides comprehensive assistance, outreach and support to veterans. Each year the SBA assists more than 200,000 veterans, service-disabled veterans and reservists. Go to [www.sba.gov/vets](http://www.sba.gov/vets).

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