



CENTER FOR ECONOMIC DEVELOPMENT

NewsWire

May 26, 2009

HELPING ENTREPRENEURS AND BUSINESSES GROW AND SUCCEED

A joint program of the Labovitz School of Business and Economics, Natural Resources Research Institute, and Swenson College of Science and Engineering.

OPTIMIST

Presented by the Minnesota Small Business Development Center (MNSBDC)

UMD Center for Economic Development
11 E. Superior St., Suite 210

Duluth, MN 55802

June 9, 2009

7:30 am – 9:00 am

No Cost

PLEASE RSVP:

218-726-7298

ced@umdc.com

In this 90 minute presentation, designed for professionals in the financial industry, Optimist® can open the door to better credit quality, healthier loans, and stronger business relationships while strengthening the SBDC/Lender relationship by:

- Better screening of prospective borrowers
- Reduced risk of credit defaults for existing clients
- Stress-testing for better decisions
- Goal seeking to play out different strategies
- Analyze key business drivers and identify potential problems and business opportunities
- Build stronger relationships between lenders, MNSBDC Consultants and small businesses.

SBA Announces America's Recovery Capital "ARC" Loan Program

U.S. Small Business Administration



Your Small Business Resource

The Recovery Act called for a new temporary program - America's Recovery Capital (ARC). ARC loans are designed to provide some temporary relief for viable small businesses with immediate financial hardship... to keep their doors open until they can get back on track.

HERE ARE SOME DETAILS:

- These short-term loans of up to \$35,000 can be used to make up to six months of principal and interest payments on qualifying loans for existing viable for-profit small businesses in the United States.
- Debt may include secured & unsecured conventional loans (mortgages, term and revolving lines of credit); Capital leases; Notes payable to vendors/suppliers/utilities; Development Company Loan Program (504) first mortgage loans; Credit card obligations; Loans made with an SBA guaranty after February 17, 2009.
- Loans have no SBA fees or interest costs for the borrower and are 100 percent guaranteed by the SBA.
- Loans will be disbursed within a period of six months, followed by 12 months of no repayment and then 5 years to pay it back.
- ARC loans are for viable businesses, meaning that the business must have an established history of good performance - but are in a situation where they need extra help to bridge the "troubled waters."
- Guaranteed Interest: SBA will pay monthly interest to lender at reasonable rates throughout the term of the loan.
- By June 8, SBA expects to release detailed guidance for lender training.
- SBA does not expect to be in a position to accept loan packages from lenders until June 15th.

ABOUT THE ARC LOAN PROGRAM:

ARC loans can be used to make payments of principal and interest, in full or in part, on one or more existing, qualifying small business loans for up to six months. ARC loans provide an immediate infusion of capital to small

ARC LOAN PROGRAM (cont.)

businesses to assist with making payments of principal and interest on existing debt. These loans allow borrowers to redirect cash flow from making loan payments to investing in their businesses, to help sustain the business and retain jobs. For example, making loan payments on existing loans with proceeds from an ARC loan can allow a business to focus more funds on core operations, such as buying inventory or making payroll.

ARC loans do not require collateral, are interest-free to the borrower, carry a 100 percent guaranty from the SBA to the lender, and require no fees paid to SBA. Loan proceeds are provided over a six-month period and repayment of the ARC loan principal is deferred for 12 months after the last disbursement of the proceeds. Repayment can extend up to five years. The best candidates for ARC loans are small businesses that are struggling, yet have been making loan payments, or those just beginning to miss loan payments due to financial hardship.

ARC loans are made by commercial lenders who are SBA participants. Non-SBA lenders can easily become SBA participants by working with their nearest SBA district office. Businesses interested in applying for an ARC loan should first contact their current lender. ARC loans will be offered by existing SBA lenders for as long as funding is available or until September 30, 2010, whichever comes first.

ARC LOAN ELIGIBILITY:

ARC loans are available to viable, for-profit small businesses in the U.S. that have qualifying small business loans and are experiencing immediate financial hardship.

Your small business must be an established business, have financial statements demonstrating it was profitable in one of the past three years, and be able to project sufficient cash flow to meet current and future loan payments over a two-year period from loan approval. If your business does not meet these criteria, you can discuss your eligibility with your lender. **ARC loans are not designed for start-up businesses.**

Examples of qualifying loans may include credit card obligations for your business, capital leases, notes payable to vendors/suppliers, Development Company Loan Program (504) first lien loans, other loans to small businesses made without an SBA guaranty, and loans made by or with an SBA guaranty on or after Feb. 17, 2009.

ARC loans are designed to help businesses experiencing immediate financial hardship for reasons such as:

- Loss/reduction of customer base
- Increase in cost of doing business
- Loss/reduction of working capital and/or loss/reduction of short term credit facilities
- Inability to restructure existing debts due to credit restrictions
- Loss/reduction of employees (intellectual capital)
- Loss/reduction of major suppliers (major suppliers out of business)

Borrowers whose loans are already severely delinquent or whose past performance or future cash flow indicates that the business is not viable are not good candidates for an ARC loan.

APPLYING FOR AN ARC LOAN:

ARC Loans are provided by commercial lenders and guaranteed by the SBA. Your next step is to contact your lender who will help you determine if you are a candidate for an ARC Loan. Questions they may ask include the following:

ARC LOAN PROGRAM (cont.)

- Does your small business have an established banking relationship?
- Has your small business been in operation for a minimum of two years?
- Do you have financial statements (balance sheet, income statement, and cash flow statement) which demonstrate your business had a positive cash flow in one of the past three years (or as long as your business has been operating, if less than three years)?
- Does your cash flow projection for the next two years indicate sufficient cash flow to meet your current and future loan payments?
- Regarding your debts, is your business no more than 60 days past due on any loan (you can be current on all your debt obligations and still qualify for an ARC Loan)?
- Is your business suffering an immediate financial hardship? For example:
 - Declining sales and revenues;
 - Difficulty in making loan payments on existing debt;
 - Difficulty in paying employees;
 - Difficulty in purchasing materials, supplies, or inventory; and/or
 - Difficulty in paying rent and/or other operating expenses.

ARC loans will be offered by existing SBA lenders for as long as funding is available or until September 30, 2010, whichever comes first.

Complete information of all Recovery Act Programs can be found at: SBA Recovery Information Center. For updates: minneapolis.mn@sba.gov

U.S. Small Business Administration



Your Small Business Resource

The University of Minnesota Duluth Center for Economic Development offers numerous workshops to help entrepreneurs and employees operate more efficiently. All workshops are held at the Duluth Technology Village, 11 E. Superior Street, Suite 210 unless otherwise noted. To register call: 218-726-7298, 888-387-4594 or register online: www.umdced.com/workshops.

The mission of the University of Minnesota Duluth Center for Economic Development is to assist entrepreneurs and businesses to grow and succeed.

Funded in part through a cooperative agreement with the U.S. Small Business Administration, Minnesota Department of Employment and Economic Development and sponsoring centers. Reasonable accommodations for persons with disabilities will be made if requested at least two weeks in advance. For arrangements, contact: UMD Center for Economic Development, 11 E. Superior Street, Suite 210, 218-726-7298.

1986 – 2009 Celebrating 23 years of excellence and also recognizing UMD's 25 year partnership with the Minnesota Small Business Development Centers

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