



Ask SCORE for Business Advice

**“Ask SCORE” Column in Green Bay Press Gazette
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SBA Loans are an Option

A client called the other day and said he was trying to get one of the new SBA ARC loans. Despite the fact that he met the loan criteria, he had called more than a dozen lenders with no success. He wondered where he could go next.

The ARC loan (America’s Recovery Capital) is a deferred-payment loan of up to \$35,000 backed 100% by SBA to viable small businesses that need help making payments on an existing, qualifying loan for up to six months. The lender does the paperwork and is paid prime plus 2% on the loan even though the loan is interest free to the customer. Still, many banks aren’t using the program or are only using it for existing customers. That’s the reason why my client was having such trouble. His lender didn’t participate in the program, and other lenders wouldn’t assist because he wasn’t their customer.

Eric Ness, district director for the SBA and headquartered in Milwaukee, said that businesses can find out what lenders are writing the loans by going to the SBA website, sba.gov. Click on “ARC loans” and then on “list of lenders providing loans.” Wisconsin is actually second among all of the states in the number of lenders using the program with 154 lenders listed. Ness insists that it’s a matter of finding the right lender.

“We’ve gotten calls – a lot of small businesses are frustrated, but we are seeing the loan numbers increase almost every week,” explained Ness.

He noted that the SBA has promoted the recovery program throughout the state. “We can do loans with most of the banks and credit unions,” he added.

The SBA wants as many lenders involved as possible in order to help small businesses. Ness said that this is the best time to get a loan or refinance an existing loan into an SBA product. The 7A loan has a maximum loan amount of \$2,000,000 and can be used for expanding businesses and start-ups. Land, building, inventory, equipment, and working capital can be included. The 504 program is a fixed asset and job creation program that structures a loan with 50% lender, 40% SBA, and 10% customer percentages. This loan has a fixed rate and can be amortized over a longer period than most conventional loans.

The benefit of these programs is that the SBA is waiving SBA fees and raising the guarantee to the lender to promote lending. Funded by the Recovery Act, these benefits are available for a limited time to stimulate lending. Additional information is available on the website.

“It’s interesting because it’s not a bad time to start a business,” Ness said. “When you’re doing your business plan, you’re taking in the reality of what’s going on now. The extra lender guarantee and waived fees makes it easier. A strong business plan with realistic assumptions is in a good position to succeed.”

If you’d like to learn more about financing your business, contact the Green Bay Chapter of SCORE. Visit www.greenbayscore.org or call Cindy Gokey at 920-496-8930 for information.

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