



A best kept secret

New SBA lending program aims to help certain businesses endure the troubling waters of the current economy

STORY BY AMIE SCHAEZNER

IT MIGHT SEEM LIKE ONE of the government's best-kept secrets.

The American Recovery Capital Loan program was rolled out on June 15 to Wisconsin businesses as part of President Obama's federal stimulus package. The program, offered through the U.S. Small Business Administration, is providing up to \$35,000 in interest-free, deferred payment loans to qualified applicants and is also waiving any set up fees or administration charges – a typical nuisance for borrowers – to those who qualify, said Carol Wilkerson, regional communications director for the SBA in Chicago.

"It's designed to give small businesses who are suffering during these hard economic times a way to keep their doors open," Wilkerson said.

The temporary first-time program is meant to infuse struggling businesses with the funds to pay down existing debt. The loans can be used for payment of principal and interest for up to six months on existing – and qualifying – small business loans, which is followed by one year with no repayment required. After that, only the principal is paid back to the lender over a 5-year period.

The ARC loan is one of many recovery initiatives rolled out as an SBA recovery program, all with the purpose of freeing up the lending market and getting capital flowing again for small businesses across the country.

A bit of a slow start

DESPITE WHAT SEEMS TO BE a very attractive financial package, the ARC loan program is off to a seemingly slow start since it launched late this past spring.

Up through mid-August, 1,375 loans have been doled out nationwide. That amounts to \$44.8 million of the \$255 million allocated for the program, Wilkerson said.

In Northeast Wisconsin, just seven ARC loans have been issued so far, said Eric Ness, district director for the SBA in Wisconsin.

Many believed the loans would go much faster. Wilkerson said she can see the pace starting to pick up as more lenders become more comfortable with offering the ARC loan and more small businesses apply.

"I think the word is starting to get out there about the loan," Wilkerson said.

The loans can be used to pay down secured and unsecured conventional loans, such as mortgages on property; revolving lines of credit; capital equipment leases; notes payable to suppliers or utilities; and credit card obligations owed by businesses, though documentation requirements for credit card debt is stringent.

ARC loans are designed for businesses experiencing financial hardships for reasons such as a loss or reduction of customer base, increases in the cost of doing business, a reduction in

capital or a loss of employees or major suppliers.

The loans are available until funds run out or Sept. 30, 2010.

Though it's hard to predict how long such funding will be available, local financial consultants believe the money will be available for awhile.

QuickStart in Menasha has been working as a third-party consultant since the program debuted, offering assistance to businesses and financial institutions preparing the rigorous ARC loan paperwork. The business finance assistance consultancy is among one of the only firms in the state helping small business owners through what QuickStart president and owner Kent Nelson said is a very complicated application process.

Nelson said the manual provided by the SBA to explain eligibility requirements consists of 35 pages of "legal mumbo jumbo."

While his firm has received over 100 calls in the past month from interested businesses, a screening process has weaned out those that might not be eligible while others do not move forward for other reasons. As of mid-August, no QuickStart clients had received an ARC loan, but about a dozen were in the process of applying for the funds or awaiting approval of their application. Those businesses include a gas station, bar, restaurant, hair salon and a painting contractor.

"It's like anything. In theory it works but once put into practice, it's not that simple," Nelson said of the ARC loan application and administration process.

The loans are not meant for startup businesses. A qualifying business must prove that it has been profitable in the past but has only recently begun to struggle. That business must also be able to project that it will again be financially viable in the future.

That is not always so easy to prove, Nelson said. Because of stringent requirements, there is a fine line between which businesses qualify for the ARC loan and which do not.

Of the seven businesses receiving an ARC loan in northeast Wisconsin as of mid-August, none were interested in discussing their experiences with the ARC loan program for this article due to the sensitive nature of their current financial situation.

The list of companies receiving assistance through the ARC loan program is not subject to public open records statutes.

Is my business right for the ARC loan?

The American Recovery Capital (ARC) loan program through the U.S. Small Business Administration is designed to give viable businesses suffering immediate financial hardship some temporary financial relief so they can keep their doors open and get their cash flow back on track.

Examples of financial hardships include declining sales or revenues or difficulties paying the operating expenses of the business.

ARC loans are not designed for new small businesses and cannot be used to make payments on an existing loan that was guaranteed by the SBA before Feb. 17, 2009.

Source: www.sba.gov