

# 2009 RECOVERY ACT



## **SBA America's Recovery Capital (ARC) Loan Program Begins June 15, 2009**

If your small business is stressed meeting expenses during these economic times, the U.S. Small Business Administration has a new loan program designed just for you.

SBA's America's Recovery Capital Loan Program can provide up to \$35,000 in short-term relief for viable small businesses facing immediate financial hardship to help ride out the current uncertain economic times and return to profitability. Each small business is limited to one ARC loan.

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

If you would like to speak directly to a customer service representative about the ARC Loan Program, please call our toll-free number (866-947-8081) Monday through Friday during the hours of 8am to 9pm (Eastern Time)

### **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 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 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 in the past were profitable but are currently struggling, yet have been making loan payments or are 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 some 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:

- 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.