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U.S. SBA Announces Special Finance Program for Distressed Small Businesses

June 8, 2009 - Ephraim, Utah— The U.S. Small Business Administration (SBA) recently issued to SBA lending institutions its loan procedural guide for the \$35,000 ARC loans. ARC stands for America's Recovery Capital. ARC Loans are available to viable small businesses that are experiencing immediate financial hardship. Here is a brief overview:

1. ARC Loans are available to viable small businesses that are experiencing immediate financial hardship.
2. Loan proceeds may only be used to make up to six months of principal and interest payments on qualifying small business loans.
3. Maximum loan amount is \$35,000.
4. Each small business is limited to one ARC loan.
5. Loan repayment term is five years.
6. The borrower pays no interest for the life of the loan. SBA Lenders making ARC Loans are paid interest monthly by the SBA.
7. ARC loans are 100% guaranteed by the SBA to the lender.
8. SBA will not charge any fees or costs to lenders or borrowers, including guaranty fees.
9. Repayment of the loan principal may be deferred for 12 months.
10. Businesses that have had no operations prior to the loan application (start-up businesses) are not eligible for ARC Loans.

ARC loans are made by lending institutions (i.e. banks and credit unions) that make SBA 7(a) loans. A listing of these lenders (in Utah) is available on the SBA's website at http://www.sba.gov/idc/groups/public/documents/ut_salt_lake_city/sba_023713.pdf

Some SBA lenders are able to handle the application in-house and others must send it to the SBA's Loan Guaranty Processing Centers. Those lenders in the list referred to above with text below their name that says, "PLP" or "Express" are likely to be the lenders that may be able to handle the application in-house.

According to the SBA, "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."

The loan process officially begins on June 15, 2009. ARC Loans are available until funding runs out or September 30, 2010, whichever occurs first. The SBA has additional information at <http://www.sba.gov/recovery/arclanprogram/index.html>

For additional assistance with your small business endeavor, contact the Small Business Development Center (SBDC). Locate your nearest office by visiting www.UtahSBDC.org.