

COMMUNICATOR

April 2009

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2009 RECOVERY ACT



LARGE TURNOUT FOR CUMBERLAND SMALL BUSINESS SUMMIT



Cumberland Mayor Daniel McKee addresses the business owners at the town's business summit. Rhode Island District Director Mark S. Hayward explained the assistance available to small businesses from the SBA through the American Recovery and Reinvestment Act.

KAREN GORDON MILLS IS THE SBA ADMINISTRATOR

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VISIT SBA AT BUSINESS EXPO 2009 BOOTH 460

Helping small businesses start, grow and succeed



More than 100 small business owners from Cumberland and the surrounding communities packed the Community Room at the Cumberland Public Library to hear about assistance available through the American Recovery and Reinvestment Act. The April 6th small business summit was hosted by Cumberland Mayor Daniel McKee.

Mayor McKee invited the SBA to explain changes to the loan guarantee programs and the resources available to provide technical assistance to update business plans and devise strategies to survive the economic downturn.

Rhode Island First District Congressman Patrick Kennedy

attended the summit and praised SBA's programs and the positive impact they have on the small business community.

Fourteen SBA participating lenders also attended the summit and spoke individually to business owners who inquired about working capital and other funding needs.

Mayor McKee told the audience his goal is to get as much capital into the hands of the town's small businesses as soon as possible in order to maintain the town's employment rate and keep businesses viable.

Hayward praised McKee for his leadership and predicted other cities and towns across the state will follow Cumberland's lead.

He added that the SBA will do all it can to make sure Cumberland businesses stay up and running.

Under the ARRA, the SBA has waived loan guaranty fees to both borrowers and lenders on most loan programs and is providing a 90 percent federal government guarantee to the banks on most of its loans.

Hayward said additional funding has been provided for the SBA MicroLoan Program.

MicroLoans are for a maximum of \$35,000 with a five year repayment. In Rhode Island the program is administered by the South Eastern Economic Development Corporation.

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2009 RECOVERY ACT



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Mayor McKee said that the turnout was more than he expected but given the challenges small businesses are facing he was not surprised. The mayor challenged mayors and town administrators from other communities to follow his lead and reach out to the small business community and try to reduce local unemployment rates below the state average.

The Rhode Island District Office has received phone calls from local officials across the state requesting SBA assistance with business summits in their communities.

The greatest interest has been focused on a new SBA loan-guaranty program called ARC Stabilization Loans. The program is being developed in Washington and is expected to be unveiled soon. Although the final rules have not been announced, the program is expected to provide maximum loans of \$35,000 to viable small businesses that need help with paying an existing qualifying loan for up to



Rhode Island Congressman Patrick Kennedy addresses the audience at the Cumberland Business Summit.

six months.

Repayment of principal and interest would not begin until 12 months after the loan is fully disbursed. SBA would provide a 100 percent guarantee to the lender. Loans cannot be made to cover an existing SBA loan that was made prior to February 17, 2009.

RECOVERY ACT MORE THAN DOUBLES SURETY BOND GUARANTEE FOR SMALL BUSINESSES

Small businesses that need surety bonds to compete for construction and service contracts now can qualify for SBA-backed surety bonds of up to \$5 million. The higher amount, a result of the Recovery Act, is more than double the previous \$2 million maximum surety bond guaranteed by SBA.

Through SBA's Surety Bond Guarantee program, SBA guarantees bid, payment and performance bonds. Surety bonds protect the project owner against financial loss if contractors default or fail to perform.

SBA partners with the surety industry to help small businesses that would otherwise be unable to obtain bonding in the traditional commercial marketplace. Under the partnership, SBA provides a guarantee to a participating surety company of between 70 and 90 percent of the bond amount.

Additional program enhancements contained in the stimulus bill will be announced soon in the *Federal Register*. Among these changes is a provision that will allow SBA to guarantee a bond on a federal contract up to \$10 million following certification by the contracting officer that the bond guarantee is required.

Industry associations have commended SBA for these new changes and SBA continues to encourage surety bond providers and agents to actively participate in the program.

In the past year, SBA also implemented a new electronic bond application process. Small businesses and surety companies participating in the SBA prior approval program are able to transmit application forms electronically to help expedite review and approval processes. The SBA also re-engineered the claims reimbursement process to shorten the cycle time between submission of a claim for reimbursement by a surety company and payment by the government.

SBA assistance in locating a participating surety company or agent and completing application forms is available online. For more information on SBA's Surety Bond Guarantee Program, go online to <http://www.sba.gov/osg/> or call 1-800-U ASK SBA.



Capacity crowd of small business owners turned out to hear about assistance available from SBA at the Cumberland Business Summit on April 6th.

SAVE THE DATE

June 10, 2009

Rhode Island Salute to Small Business Awards Luncheon

Alpine Country Club, Cranston, R.I.

Details Coming Soon!

not only here in Rhode Island but across the nation.

The month of April has been extremely busy for the Rhode Island District Office. We have had dozens of phone calls and in-person visits by small business owners and entrepreneurs seeking information about assistance available as a result of the American Recovery and Reinvestment Act.

Very soon, early May in fact, we will unveil the ARC Loan, commonly known as the stabilization loan. Because this is a totally new loan program the agency is required to develop regulations governing the loan approvals. Media reports about this program has generated a substantial number of inquiries. The loans reportedly will be for **viable** businesses that need assistance paying existing non-SBA guaranteed loans for up to six months. Repayment of principal and interest would not begin until 12 months after the loan is fully disbursed. More details will follow when the program is announced.

In Cumberland on April 6th we attend an event hosted by Mayor Daniel McKee. It was an opportunity to speak personally with many small business owners. It is truly inspiring to hear about the innovative ways that entrepreneurs deal with the daily challenges of running a small business, particularly in these troubling times. SBA will do all it can to help small business

across the state in the coming months. Several mayors and town administrators have asked us to come to their communities to help present the same information to their small business community. I expect that we will be visiting many cities and towns.

I want to thank SCORE chapter chair Ray McNeill for agreeing to co-sponsor the 2009 Rhode Island Salute to Small Business celebration. This is the fifth year that SCORE has come forward to help us present this most important celebration of Rhode Island's "best-of-the-best" small business owners and champions. The Salute to Small Business will be held during the week of June 8th and again this year will feature a series of free professional development workshops. The highlight of the week-long celebration will be the awards luncheon on June 10th. We will have more details soon.

Finally, on May 28th we will be having a follow up breakfast on the 2009 Rhode Island Economic Summit. Save the date for this very interesting program.



I first want to welcome Karen Gordon Mills of Maine as administrator of the Small Business Administration. Administrator Mills was confirmed by the United States Senate on April 3rd. She joins the SBA with an extensive business background with a special emphasis in working closely with small businesses. I had the honor and privilege of meeting the new administrator during the transition process. Administrator Mills showed a keen interest in what could be done immediately to help small business climb out of this economic downturn. She continued this theme during a recent online town hall meeting with SBA employees by stating that it will be small business that will bring us out of this economic crisis. It will happen one small business at a time and SBA will be their partner because that is at the core of what we do. We here at the Rhode Island District Office look forward to working with Administrator Mills to make a difference for our small business community

KAREN GORDON MILLS IS THE SBA ADMINISTRATOR

Karen Gordon Mills is the 23rd Administrator of the U.S. Small Business Administration. The U.S. Senate confirmed Mills on Friday, April 3rd. She took the oath of office on April 6.

As Administrator of the SBA, Mills will direct a federal agency with more than 2,000 full-time employees, with a leading role in helping small business owners and entrepreneurs secure financing and technical assistance and training, and federal contracts.

"The sum of my experience is this: I am a believer in American small business. I am a believer in America's ability to manufacture goods and services that are world class, and I am a believer in America's spirit of entrepreneurship," said Mills.

"I was there on the factory floor in Arkansas and Ohio working to weather the recession of the early 90s," she said. "Those experiences give me a deep understanding of what our small businesses need today to survive this downturn and to prosper in the years ahead."

Mills, of Brunswick, Maine, was president of MMP Group and has a 25-year career of investing in and growing small businesses. In 2007, she was appointed chair of Maine's Council on Competitiveness and the Economy by Governor Balducci.

She holds a degree in economics from Harvard University and an MBA from Harvard Business School. Her husband Barry Mills is president of Bowdoin College in Brunswick. They have three sons.



SBA ISSUES POLICY ON THE TREATMENT OF LOANS APPROVED PRIOR TO THE RECOVERY ACT

The SBA has announced a policy regarding the cancellation and resubmission of loans by SBA lenders that initially were approved prior to March 16, 2009. That is the date the American Recovery and Reinvestment Act was signed into law. Lenders have inquired into the policy in order to take advantage of the previously announced rise in the SBA guarantee to 90 percent. SBA also waived all guarantee fees to both borrowers and lenders.

The agency has determined that the cancellation and resubmission of the same loan would use the limited appropriations made available under the Recovery Act would be contrary to the intent of the new law, which is to stimulate new lending.

Therefore SBA will not permit cancelled 7(a) and 504 loans that were approved by SBA prior to February 17th to be resubmitted as reduced-fee Recovery Act loans, unless the resubmitted loan is not a replacement for the original loan, as determined by SBA on a case-by-case basis.

Similarly, SBA will not permit cancelled 7(a) loans approved prior to March 16, 2009 (the implementation date for Section 502 of the Recovery Act) to be resubmitted as Recovery Act loans eligible for a maximum guaranty up to 90 percent, unless the resubmitted loan is not a replacement for the original loan as determined by SBA on a case-by-case basis.

Requests for such consideration must be submitted by the lender to the Standard 7(a) Loan Guaranty Processing Center in Citrus Heights, California. The request will be forwarded to the Director./Office of Financial Assistance for approval.

In making a case by case determination on resubmitted loans, the existence of one or more of the following factors will make it more likely that SBA will approve the request:

- the loan was cancelled for reasons other than the passage of the Recovery Act (e.g., the loan was cancelled because the location for the new business was not available; subsequently another location became available and a new loan was requested);
- the new loan is for a different purpose (e.g., the original loan was for working capital but the new loan is for the acquisition of real estate)
- the new loan is likely to achieve additional economic stimulus (e.g., the previous loan would have preserved jobs but the new loan will also create new jobs)

the new loan could not be made but for the provisions of the Recovery Act (e.g., the loan was cancelled because the borrower failed to meet a key provision (e.g., appraisal value) in the original loan authorization and, therefore, the lender would not make the loan now but for the higher guaranty level.) Based on past cancellation experience in SBA's loan programs, SBA expects that only a limited number of borrowers with cancelled loans will meet the criteria for a new loan with reduced fees and/or a higher guaranty.

It is possible for a lender to apply for a waiver for one part of the Recovery Act (e.g., 90 percent guaranty) without seeking a waiver for the other. In general, waivers for fee relief, simply to save the borrower the expense, will not be approved.

In addition, changes to all loans approved prior to February 17, 2009, including loan increases, will be processed as changes to the original loan in accordance with SBA's standard practice, and loan fees will be assessed under the rules in effect at the original approval date.

Finally, if limited debt refinancing is added to a project under the 504 Development Company Program as permitted by the Recovery Act, changes will be processed as amendments to the original loan and not as a new loan, in accordance with SBA's standard practice.

Questions about this policy should be directed to Marilyn Bogue at the Rhode Island District Office by calling (401) 528-4561, or by e-mail to marilyn.bogue@sba.gov.

VISIT SBA AT THE GREATER PROVIDENCE CHAMBER BUSINESS EXPO

Looking for a way to turn today's challenges into tomorrow's bottom line solutions? Be part of the Greater Providence Chamber of Commerce's 2009 Business EXPO taking place at the Rhode Island Convention Center on Tuesday, May 5 from 10:00 a.m. to 7:00 p.m. and Wednesday, May 6 from 9:00 a.m. to 3:00 p.m. **Be sure to visit Rhode Island SBA at Booth 460** to learn about programs for small business particularly under the American Recovery and Reinvestment Act

SBA District Director Mark S. Hayward will conduct a free workshop on SBA programs and services at 2 PM on Tuesday May 5th at the EXPO Platform. There will be additional workshops and speakers offering a wide array of dynamic and practical tools that can be immediately implemented. The goal of this year's show is to help local business professionals be pro-active, prepared and flexible so that their organizations can emerge from a recession intact and stronger.

The two-day event will once again feature close to 300 exhibitor booths, seminars, special events and dynamic speaking program – all focused on helping participants learn new skills, grow their business, engage their employees, advance their careers and connect with other New England companies.

AMERICAN RECOVERY AND REINVESTMENT ACT PROVIDES TAX INCENTIVES FOR SMALL BUSINESS

Congress approved and the President signed new economic recovery legislation, the American Recovery and Reinvestment Act of 2009 (ARRA) two months ago. Here are some key tax highlights for small businesses and their employees:

Net Operating Loss Carryback

Small businesses with deductions exceeding their income in 2008 can use a new net operating loss tax provision in ARRA to get a refund of taxes paid over the past five years instead of the usual two.

To accommodate the change in tax law, the IRS has updated Publication 536, Net Operating Losses (NOLs) for Individuals, Estates and Trusts, as well as the instructions for Form 1045 and Form 1139, which small businesses will use to take advantage of the carryback provision.

An IRS news release and question-and-answer document have more information on the net operating loss carryback provision. Technical information is contained in Revenue Procedure 2009-19.

Section 179 Deduction

A qualifying taxpayer can choose to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. This property is frequently referred to as section 179 property.

Under ARRA, qualifying businesses can continue to expense up to \$250,000 of section 179 property for tax years beginning in 2009. Without ARRA, the 2009 expensing limit for section 179 property would have been \$133,000. The \$250,000 amount provided under the new law is reduced if the cost of all section 179 property placed in service by the taxpayer during the tax year exceeds \$800,000.

The new law does not alter the section 179 limitation imposed on sport utility vehicles, which have an expense limit of \$25,000.

More Help for Small Business

The Recovery Act also includes the following business-related provisions:

Reduction of Estimated Tax Payments: Normally, small businesses have to pay 110 percent of their previous year's taxes in estimated taxes. The Recovery Act permits small businesses to reduce their estimated payments to 90 percent of the previous year's taxes.

Extension of Bonus Depreciation Deductions Through 2009: Bonus depreciation is extended through 2009, allowing businesses to take a larger tax deduction within the first year of a property's purchase.

Capital Gains Tax Break for Investment in Small Business: Investors in small business who hold their investments for five years can exclude from taxation 75 percent of their capital gains.

Other Provisions for Employers and Employees

Increased Transportation Subsidy: Employer-provided benefits for transit and parking are up in 2009 (see related article).

Up to \$2,400 in Unemployment Benefits Tax Free in 2009: Individuals should check their tax withholding.

COBRA: Health Insurance Continuation Subsidy: The IRS has extensive guidance for employers, including an updated Form 941, as well as information for qualifying individuals.

First-Time Homebuyer Credit Expands: Homebuyers who purchase in 2009 can get a credit of up to \$8,000 with no payback requirement.

Enhanced Credits for Tax Years 2009, 2010: Details available on the earned income tax credit, additional child tax credit and American Opportunity Credit, a new higher education benefit.

Payroll Checks Increased This Spring: The Making Work Pay Tax Credit will mean \$400 to \$800 for many Americans. The IRS has issued new withholding tables for employers (see related article on withholding).

Money Back for New Vehicle Purchases: Taxpayers who buy certain new vehicles in 2009 can deduct the state and local sales taxes they paid. **IRS**

The [IRS's American Recovery and Reinvestment Act of 2009 Web site](http://www.irs.gov/newsroom/article/0,,id=204335,00.html) at www.irs.gov/newsroom/article/0,,id=204335,00.html has more information and links to all of this information.

Subscribe to [e-News for Small Businesses](http://www.irs.gov/businesses/small/article/0,,id=154825,00.html) at <http://www.irs.gov/businesses/small/article/0,,id=154825,00.html> to get the latest information about IRS's ARRA implementation and other IRS news and information.



Ask SCORE...

IMPROVE CASH FLOW WITH THESE SIMPLE STEPS

Without a steady flow of cash to cover expenses, your company can quickly stumble.

Cash flow troubles can develop even when sales seem strong. Facing a continuous cash crunch makes it difficult to conduct your business properly. And while it may be tempting to seek out fancy financial formulas for predicting and tracking business cash flow, the basics tend to be plain common sense for most small businesses.

The object is to make certain that more cash enters your business than exits your bank account. First you need to translate sales into real money as quickly as possible. Once you've collected the cash, your business needs to guard it. Surprises, such as slow or non-paying customers and unexpected expenses, are your worst cash flow enemies.

One way to shift cash your way is to ask for all or a portion of payment up front. Asking for at least a deposit in advance is a great way to jump-start your cash flow. And if you establish the policy fairly and properly, it shouldn't alienate good customers.

Accepting credit card payments also can help, so you may want to sign up for a merchant account that allows you to do this. Or, if you already have one, encourage customers to use this option more often. You do pay a fee for this. But credit cards are a great way to speed cash into your account, and the cost

is generally small.

You may need to manage "receivables" more closely. This is the money that customers owe to you for products or services you've delivered. Create a detailed "aging" schedule of what you are owed, by whom and for how long.

Place phone calls to overdue accounts, focusing first on the largest amounts due. Offering a discount can bring some quick cash in the door, but play this card only after you've called the customer to ask for full payment.

Finally, don't overlook the power of an operating budget. Note specific due dates for payables as well as receivables. Although the balance between the two won't always be predictable, the budget can give you a snapshot of where your business stands in cash flow.

Cash flow is just one critical financial issue facing your small business. To learn more, contact SCORE "Counselors to America's Small Business."

SCORE is a nonprofit organization of more than 10,500 volunteer business counselors who provide free, confidential business counseling and training workshops to small business owners.

To schedule an appointment with a SCORE counselor in Rhode Island, call the SBA Rhode Island District Office at (401) 528-4561, or visit the local SCORE Web site at www.riscore.org.

SBA AND R.I. PROCURMENT CENTER OFFER CONTRACTING WORKSHOP SERIES

The Rhode Island District Office and Rhode Island Procurement Technical Assistance Center are teaming once again to co-sponsor a series of workshops about doing business with the federal government. This is the second year that the two agencies have joined forces to assist small businesses in the contracting process.

All training sessions, unless otherwise noted, will be held from 8:30 to 11:30 a.m. at the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Providence, RI 02908.

This year's schedule:

- **May 28**—Doing Business with Defense Supply Centers
- **June 25**—Marketing to the Government
- **July 23**—Opportunities in Government Sub-Contracting
- **August 27**—Federal Contracting in Rhode Island
- **September 24**—Preparing for the Fall Matchmaker Fair
- **October 15**—Minority Enterprise Development Week Matchmaker Fair
- **November 17**—Introduction to Government Contracting
- **December 8**—Marketing to the Government

Each workshop is offered to the public free of charge. For a description of each course and to register, please visit the RIPTAC Web site at:

<http://riptac.ecenterdirect.com/ConferenceList.asp>.

Rhode Island SBA Bank Rank

Fiscal Year 2009 (YTD) – October 1, 2008 to March 31, 2009

| Lender | 7(a) | 7(a) \$ | 504 Project Participation* | |
|---|-------------|---------------------|-----------------------------------|--------------------|
| 1. BankRI | 29 | \$3,248,000 | 1 | \$205,000 |
| 2. Citizens Bank | 21 | \$1,211,000 | 3 | \$1,168,500 |
| 3. Coastway Credit Union | 20 | \$2,114,500 | 3 | \$2,155,000 |
| 4. The Washington Trust Company | 18 | \$1,573,700 | 2 | \$4,959,500 |
| 5. BankNewport | 8 | \$850,000 | 1 | \$312,500 |
| 6. Sovereign Bank | 8 | \$407,500 | | |
| 7. Home Loan Investment Bank | 5 | \$1,569,500 | | |
| 8. Freedom National Bank | 2 | \$1,440,000 | | |
| 9. Webster Bank | 2 | \$235,000 | | |
| 10. Bank Five | 2 | \$70,000 | | |
| 11. Comerica Bank | 1 | \$315,000 | | |
| 12. TD Bank North | 1 | \$300,000 | | |
| 13. Wells Fargo Bank | 1 | \$294,600 | | |
| 14. New Alliance Bank | 1 | \$275,000 | | |
| 15. Westerly Community Credit Union | 1 | \$180,000 | | |
| 16. Navigant Credit Union | 1 | \$50,000 | | |
| 17. Citizens-Union Savings Bank | 1 | \$18,400 | | |
| 18. NewportFed | 0 | | 1 | \$590,000 |
| 19. Bank of America | 0 | | 1 | \$362,500 |
| 20. Walpole Cooperative Bank | 0 | | 1 | \$155,000 |
| Total 7(a) Loans/504 Participation | 122 | \$14,152,200 | 13 | \$9,908,000 |

Certified Development Companies (504 Loan – Debenture Amount)

| | | |
|---|-----------|--------------------|
| 1. Ocean State Business Development Authority | 9 | \$4,542,000 |
| 2. New England Certified Development Corporation | 2 | \$886,000 |
| 3. Rhode Island Community Investment Corporation | 1 | \$506,000 |
| 4. South Eastern Economic Development Corporation | 1 | \$300,000 |
| Total 504 Loans | 13 | \$6,234,000 |

Total Loans **135** **\$20,386,200**

U.S. Small Business Administration



Your Small Business Resource

Rhode Island District Office

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Providence, RI 02903-3246

Official Business

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All of the SBA's programs and services are provided to the public on a non-discriminatory basis.

MAYORS MEET IN CUMBERLAND



Cumberland Mayor Daniel McKee, left, greets **North Providence Mayor Charles Lombardi**, center, who attended the small business summit on April 6 at the Cumberland Public Library. **SBA Rhode Island District Director Mark S. Hayward** is on the right.