

**U.S. Small Business Administration
Interview with Eric Zarnikow**

Ron Johnson: A crucial part of staying in business is paying your bills on time. In these tough economic times, some small business owners may find that task a bit more difficult. The U.S. Small Business Administration has begun a temporary program to help small business owners keep up with some of those bills. Hi, I'm Ron Johnson with the SBA, Your Small Business Resource. And with me today is Eric Zarnikow. He is SBA's associate administrator for capital access. We're going to discuss how the American Recovery and Reinvestment Act or ARC Loan Program benefits small businesses. It's great to have you with us, Eric.

Eric Zarnikow: Thanks, Ron. It's great to be here again.

Ron Johnson: Well, SBA is doing some incredible things. Tell us, what is the ARC Loan Program and how does it work?

Eric Zarnikow: Sure. The ARC Loan or America's Recovery Capital Loan gives viable small businesses, who are suffering immediate financial hardship, temporary financial relief so that they can keep their doors open and get their cash flow back on track. So specifically, these are deferred payment loans of up to \$35,000. They can be used to pay principal and interest on existing qualifying small business loans. The loans are 100 percent guaranteed by the SBA and there are no SBA fees

associated with the loans. There is no interest rate charged to the borrowers and SBA will pay the lender an interest rate of prime plus two percent and the loans are structured so there's a disbursement period of six months or up to six months followed by 12 months where the small business makes no principal payments and then a payback period on the ARC loans of five years.

Ron Johnson: Now, a little definition, Eric. What does "viable" mean and who defines it and what is the "immediate financial hardship"?

Eric Zarnikow: Those are really great questions. These loans were specifically designed to meet a special need for established for-profit businesses that we think can succeed in the future if they have a little help over the next few months. So a viable small business is a small business that's shown profitability and cash flow at least one of the last two years, is not more than 60 days past due on its loans, has acceptable small business credit scores and shows projected future cash flows that will allow them to pay its obligations after we get through the ARC loan deferral period.

When you turn to immediate financial hardship, we've set out some criteria for lenders to look that help document and demonstrate a change in the financial condition of the business,

things like declining sales, increasing expenses, frozen credit lines, troubles paying its existing obligations.

Ron Johnson: Got you. So what type of loans or debt can small businesses use the ARC funds for?

Eric Zarnikow: Well, the only eligible purpose for an ARC loan is to make periodic payments of principal and interest on qualifying small business loans, and qualifying small business loans would include things like secured and unsecured conventional loans. These could be mortgages, term loans or revolving lines of credit, capital leases, a note payable that a small business might have to a vendor or a supplier or utility. They can also be used to pay Development Company loan (504) first mortgages that are part of our 504 Program and they can also be used to pay credit card obligations that are owed by the business.

Ron Johnson: And I suppose some types of debt are not eligible, is that true?

Eric Zarnikow: Yes, there are definitely some types of debt that are not eligible so ARC loans cannot be used to make payments on other SBA-guaranteed loans that were made prior to February 17th, 2009, the date the Recovery Act Bill was signed so this is part of the legislation. In addition, the loans are only for to pay small business debt so they do not cover, cannot

be used to pay obligations that were incurred for personal purposes.

Ron Johnson: Eric, what businesses can best take advantage of an ARC loan?

Eric Zarnikow: Again, this loan program was developed to help a very targeted group of small businesses so these are existing viable small businesses that are suffering immediate financial hardship. These are businesses that need some help with cash flow to get back on track and be able to retain jobs and ultimately, return to growth and businesses that are not more than 60 days behind on payment.

Ron Johnson: How can a small business obtain an ARC loan?

Eric Zarnikow: Each small business is limited to one ARC loan and small businesses should first talk with their current lenders. ARC loans are made by lenders. SBA provides the guarantee so we're not making direct loans here. So if your lender is not an SBA lender, it's fairly easy to become one. You should ask your lender to contact the local SBA district office for assistance.

Ron Johnson: Now, where can lenders go for more information about this program?

Eric Zarnikow: Lenders can go to SBA's website at www.sba.gov or they can contact their local district office in

their area. And actually, the local district office contact information can be found on our website as well.

Ron Johnson: Is there any program advantages for lenders?

Eric Zarnikow: Sure. On the whole, I think this program would really help lenders maintain their relationships with small businesses that they think can succeed if they can help make it through the different economic times. So when you think about it, what do these loans do for lenders? By providing 100 percent guarantee, we've reduced the lender's risk and we're refinancing the expenses for borrowers and since SBA pays borrowers monthly interest on the ARC loans to lenders.

Ron Johnson: Now, how much money is available for the program and when will it end?

Eric Zarnikow: In the program, Congress appropriated \$255 million for the program and that supports a program level of approximately \$335 million so it's not another way we can make up the \$335 million of ARC loans so the program is going to end when that money runs out or September 30th, 2010, whichever is sooner.

Ron Johnson: Are there any other programs that SBA offers small business owners?

Eric Zarnikow: The SBA offers a wide spectrum of programs to help small businesses start, succeed, and grow. SBA programs can help small businesses through loan and other financial

assistance that help them access the capital that they need. We also have a lot of great resources for training and counseling for every stage of a business, from startup businesses that are looking for advice to businesses that are looking for one-on-one counseling. We also have a lot of great online business management courses.

Also, our programs can help a small business become government ready or become ready for government contracting work and can help match interested small businesses with available contracts. And you can find out more about these and other SBA programs at our website at www.sba.gov.

Ron Johnson: Well, Eric, as you and I both know, owning a small business is part of the American Dream. SBA's programs and services can help make that dream come true. For more information, visit the SBA website, as Eric said, at www.sba.gov. I'd like to thank our guest, Eric Zarnikow from SBA's Office of Capital Access for sharing this information about the agency's new temporary loan guarantee program called ARC. Until next time, this is Ron Johnson from SBA, Your Small Business Resource.

[End of file: Recovery Act Podcast_256Kbit_44kHz_stereo.wma]

[End of transcript]