



# 2009 RECOVERY ACT



## HELPING SMALL BUSINESS START, GROW AND SUCCEED

### ARC Loan Frequently Asked Questions

#### What is an ARC Loan?

- The America's Recovery Capital, or ARC loan program is designed to give viable small businesses suffering immediate financial hardship some temporary financial relief so they can keep their doors open and get their cash flow back on track.
- The ARC loan program is a new, temporary program authorized by the Recovery Act.
- An ARC loan is a deferred-payment loan of up to \$35,000 and is available to viable, for-profit small businesses located in the United States that need short-term help to make their principal and interest payments on existing, qualifying debt.
- ARC loans are interest-free to the borrower, 100 percent guaranteed by SBA, and have no SBA fees associated with them.
- Approved ARC loans will disburse funds to be used for payments of principal and interest for up to six months on existing, qualifying small business loans, up to a maximum of \$35,000.
- The disbursement period of up to six months is followed by 12 months with no repayment of the ARC loan principal. After the 12-month deferral period, the borrower pays back only the ARC loan principal over a period of five years.

#### How is "viable" defined and who defines it?

- A viable small business is one that has been profitable in the past, but is just beginning to struggle with making loan payments, and can reasonably project that it can get back on track with the infusion of ARC loan funds and the benefit of deferred payments.

#### What loans/debts are "qualifying" and eligible to benefit from ARC? Can the proceeds be used to make payments on another SBA-guaranteed loan?

- Small business loans/debts qualifying and eligible for assistance with ARC loans include the following:
  - Secured & unsecured conventional loans (mortgages, term and revolving lines of credit);
  - Capital leases
  - Notes payable to vendors/suppliers/utilities
  - Development Company Loan Program (504) first mortgage loans
  - Credit card obligations owed by the businesses
  - Loans made with an SBA guaranty after Feb. 17, 2009

#### Can ARC loans be used to pay a line of credit or a credit card debt?

- ARC loans can be used to pay a line of credit or credit card obligations, and the debt is a business loan that meets 7(a) standards. Documentation requirements for assistance with credit card debt are stringent (contact your lender for details).

**How do I obtain an ARC loan?**

- ARC loans are made by commercial lenders (not SBA).
- Existing SBA lenders are eligible to make ARC loans.
- Non-SBA lenders can become an ARC lender.
- SBA district offices can assist lenders become approved SBA lenders.

**Where can I get more information or speak with someone at SBA about ARC loans?**

- For more about ARC loans go to: [www.sba.gov/recovery](http://www.sba.gov/recovery)

**Is my business right for an ARC loan?**

- The ARC loan program is intended to give existing, viable small businesses that are suffering immediate financial hardship some temporary financial relief so they can keep their doors open and get their cash flow back on track, retain existing jobs, and ultimately create new jobs.
- Examples of financial hardships include declining sales or revenues or difficulties in 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 SBA before Feb. 17, 2009, when the Recovery Act was signed into law.

**I've been making my business loan payments on time, am I still eligible for an ARC loan? Can I use an ARC loan to establish a line of credit?**

- Subject to eligibility and your lender's credit criteria, you may be eligible for an ARC loan to pay principal and interest on your existing small business loan(s), freeing up your income to pay other operating expenses. For more information, please speak with your lender.
- ARC loans are for the specific purpose described and are not a general line of credit for a business.

**When will ARC loans be available?**

- SBA expects ARC loans will be available beginning on June 15.

**How long do I have to obtain an ARC loan?**

- ARC loans are available through SBA-approved lenders as long as funding is available or through Sept. 30, 2010, whichever comes first.

For more information on the ARC loans program and eligibility requirements go to [www.recovery.gov](http://www.recovery.gov) or [www.sba.gov/recovery](http://www.sba.gov/recovery).

*All SBA programs and services are provided on a nondiscriminatory basis.*