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NEWS for Eastern Iowa Lenders

Volume 2004, Issue No. 3 for January, 2004 Issued: January 6, 2004 to 600+ Economic Developers in Eastern Iowa

Temporary \$750,000 Cap on 7(a) Guaranteed Loans

Due to an unprecedented level of demand for SBA-guaranteed loans, the Agency will be implementing a maximum loan size of \$750,000 on regular 7(a) loans approved on or after January 8, 2004.

To date, during FY 2004, SBA's 7(a) loan program is running at 40% ahead of the number of loans approved, and 45% ahead of dollars approved, at this same point in time during last year's record breaking year. Accordingly, SBA is implementing the \$750,000 loan cap in order to ensure assistance to the maximum number of small businesses throughout the remainder of FY 2004.

SBA took similar action in 2003 - establishing a maximum loan size of \$500,000 - and in 1997 and 1995 when faced with comparable circumstances. The \$750,000 limit should allow SBA to provide continuing, uninterrupted financial assistance. So far, this fiscal year, 95% of the small business owners seeking 7(a) assistance have been funded within the \$750,000 limit.

The \$750,000 is the gross amount of a loan or loans to a small business and its affiliates that may be approved under the 7(a) program during fiscal year 2004. SBA will not guarantee a loan where the gross amount of the loan exceeds \$750,000 until the cap is lifted. SBA-guaranteed loans to the same borrower or an affiliated business may only be approved when the gross amount of all loans to that borrower and its affiliates during fiscal year 2004 does not exceed \$750,000. Note: 7(a) loans already made in fiscal year 2004 are to be included in calculating the gross amount.

In situations where borrowers are looking for more than \$750,000, we encourage our lending partners to determine if any fixed-asset financing needs (i.e. real estate, machinery, equipment) can be met through the SBA's Certified Development Company Program (504 Program). The 504 program is not subject to the \$750,000 loan size limitation and can be combined with a companion 7(a) loan for other needs. Under the 504, the maximum debenture is generally \$1 million (up to \$1.3 million if financing addresses public policy goals).

If you have any questions about the \$750,000 limit on SBA loans, or about how the 504 may possibly be used to meet the larger needs of your customers, please contact our office at (319) 362-6405.

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From the Director: As you may have heard, January 2, 2004 was my date of retirement. Many have asked what I plan to do in this next phase of my life. There will be some travel, additional time with grandkids, catching up on "honey do" projects, dusting off the water colors, looking for the golf clubs, cleaning the basement, writing a novel, etc.

I have enjoyed my 15 years in Cedar Rapids with the SBA very much. The opportunity to work with a great staff, lenders, SCORE members, SBDC'S, chambers, trade associations, State officials, has been very rewarding.

One-third of my working career was spent here in Iowa and with a total of 25 years in federal government and 22 years in private sector small business, it's time.

Thank you for being a very valued partner in the role of starting and growing small businesses. Without your involvement, a lot of entrepreneurs wouldn't have seen their dreams become a reality. Your continued role in economic development is vital to the growth in your communities and the state of Iowa.

In November, we celebrated SBA's 50th anniversary with a luncheon in Davenport. We were able to showcase businesses we have helped along the way. In Iowa, companies like Winnebago, Musco Lighting, Quality Chef Foods, Heart of America Restaurants and Inns, Access Direct, come to mind. Nationally, Intel, Nike, Apple Computer, Staples, Outback Steakhouse, Federal Express, are all products of SBA services.

These have been exciting times, and I know the next 50 years will be even better than the last. Please continue to work with our SBA offices and provide the quality and delivery of service to the economic backbone in our country ... our nations' small businesses. Thanks for the ride.

--- James N. Thomson

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