

H J R

37

SENATE COMMITTEE REPORT

FURTHER

4/8/89

DATE TURNED INTO OFFICE

4/21/89

Mr. President:

L&C

Committee considered

CSHJR 37 (L&C)

repeal or modification of a recent order of the Small Business Administration so that the agency may continue to assist small businesses in Alaska through use of loan guarantees and recommended

- [] replace with ___ CS ___) [] same title
[] or adopt ___ CS ___) [] new title
[] attached amendment(s) and [] technical title change (HB only)
[] ___ letter of intent adopted

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

FISCAL NOTE(S) [] zero [] fiscal impact [] appropriation no FN
[] new [] updated [] previous
[x] same as previous zero fiscal note(s) published 4/8/89

MEMBERS SIGNING DO PASS

Handwritten signatures of committee members: [Signature 1], [Signature 2], [Signature 3]

OTHER RECOMMENDATIONS

Blank lines for other recommendations

Chairman signature and recommendation

[] Committee Backup attached

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CS HJR 37 (L&C)
PUBLISH DATE: HOUSE 4/5/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "Requesting repeal of SBA order regarding refinancing of debts"
Sponsor: House Labor and Commerce Comm.
Requestor: _____

Agency Affected: DCED
BRU: Small Business Administration
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	-	-	-	-	-	-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Representative Dave Donley, Chair
Division: House Labor and Commerce Committee

Phone: 465-4954
Date: 4/4/89

Approved by Commissioner: *Dave Donley*
Agency: House Labor and Commerce Committee

Date: 4/4/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HJR 37
Relating to the Small Business Administration

House Joint Resolution 37 requests the Small Business Administration to repeal or modify its recent order so that the Administration may continue to assist the state's small business by allowing outstanding SBA loans to be refinanced with new SBA loans. Currently small businesses and financial institutions in Alaska are suffering from the present economic recession. The restrictions on the ability to refinance loans through the Small Business Administration will further delay recovery of these small business. I recommend passage of CSHJR 37 (L&C).

ADDITIONAL INFORMATION

According to Don Strain, Deputy District Director, Small Business Administration, the ban prohibiting refinancing of SBA loans was lifted March 27, 1989, and he sees no indication that the ban will be considered again.

The House Labor and Commerce Committee introduced HJR 37 on March 20th and it passed out of committee April 4th. The House passed the resolution April 7th and the Senate Labor and Commerce Committee considered HJR 37 on April 22nd.

Support has been unanimous.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

1577 "C" STREET • SUITE 304 • ANCHORAGE, ALASKA 99501-5177 • (907) 274-1651

M E M O R A N D U M

TO: Board of Directors
Alaska Industrial Development and Export Authority

FROM: Bertram L. Wagnon *[Signature]*
Executive Director

DATE: February 27, 1989

SUBJECT: FEDERAL SMALL BUSINESS ADMINISTRATION PROGRAM (SBA)

Attached is a letter which impacts the Federal SBA program nationwide.

The effect of this directive is that the SBA will no longer allow outstanding SBA loans to be refinanced with new SBA loans. Additionally, no refinance which would result in a reduction of exposure of the participant or other lending institution is permitted.

It was requested that a representative from the SBA be at our Board meeting, however, they are in Washington, D.C. discussing this problem and could not attend.

BLW/ss
attachment

SMALL BUSINESS ADMINISTRATION

SBA NOTICE

NOTICE NO. 5000-242

Cox, Erwin
Free
gan

TO: All RA's, ARA's F&I, DD's, and ADD's F&I

2-10-89

EFFECTIVE

SUBJECT: Temporary limitation on use of SBA 7(a) loan proceeds for repayment of debt

The demand for 7(a) loan funds currently exceeds available amounts. In order to ease this shortage, effective immediately, new applications for 7(a) business loan guarantees will be subject to the following restrictions:

- o Outstanding SBA loans will not be refinanced with new SBA loans. If a borrower requires additional funds, the new loan will be so structured by reamortization or otherwise that the existing loan remains outstanding.

- o No reduction in a participant lender's exposure or of the exposure of other lending institutions will be permitted. Accordingly, where a participating lender increases its participation percentage to an extent sufficient to cover at least all of the outstanding debt, SBA will extend its guaranty to that part of the loan which does not include the outstanding debt.

Has nothing to do w/ the moratorium

Example: a loan is approved for \$400,000, of which \$50,000 is to pay debt to the participant, \$50,000 to pay debt to another lender, and \$300,000 is for the purchase of machinery and equipment. In this case a 25% participation would be required so that the lender's exposure in the loan will at least

EXPIRES 10/1/89

SBA Form 1353 (3-83)

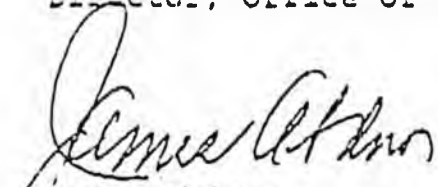
equal the loan amounts used for pre-existing debt payment. An alternative would be to reduce the loan by \$50,000, eliminating payment of the other lender if the participant is unwilling to take more than 15%, and if repayment ability would still exist.

- o Payment of trade payables is not considered debt repayment, but will be treated as working capital. Participating lenders may also continue to make interim advances in anticipation of reimbursement from SBA financing, as provided in SOP 50-10, paragraph 2d.(4).

These debt payment limitations are a temporary constraint to help manage the shortage of funds. In some regions restrictions have already been placed on debt payment. However we must have a consistent national policy. The constraints are effective until further notice.

These restrictions apply to all categories of 7(a) loan guarantees. Development Company (502 and 504) guarantees are not affected.

Any questions should be addressed to Everett Shell, Director, Office of Business Loans (FTS 653-6470)


 James Abdnor
 Administrator

- 2/16
 PER TELECON WITH BOTH REGION & CENTRAL OFFICES:
- 1) REFINANCING PROHIBITION ALSO APPLIES TO FOLC
 - 2) SBA DIRECT FUNDS (VIETNAM VETERAN LOANS) MAY NOT BE USED TO RETIRE AN OUTSTANDING GP LOAN
 - 3) A NEW GP MAY NOT BE USED TO PURCHASE ORRO FROM THE SUBMITTING BANK - OK TO USE A NEW GP TO PURCHASE ANOTHER BANK'S ORRO
 - 4) REFINANCING PROHIBITION APPLIES EVEN IF WE HAVE ALREADY RECEIVED A BANK LETTER ADVISING OF INTERIM FINANCING BEING USED TO PAY OFF SBA GP OR BANK DEBT.