

SB

34

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34</SUBJECT><COMM>SFIN27</COMM></TARGET>



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Economic Development

Sean Parnell, Governor
Susan K. Bell, Commissioner
Wanetta Ayers, Director

TO: Senator Stedman

DATE: Tuesday, March 15, 2011

FROM: Wanetta Ayers

RE: Follow-up Questions on SB34

Thank you for the opportunity to respond to questions that arose during the March 10th meeting of the Senate Finance Committee during the hearing on SB34.

Can loans made under SB34 be stacked?

Yes. SB34 refers to loans in the plural, so multiple loans up to the maximum loan amount are allowable as long as the borrower meets the additional collateral requirements to secure any subsequent loans.

Are loans under SB34 recourse or non-recourse loans?

All of the loans issued by the Division are recourse loans. However, the Division works diligently with borrowers to avoid foreclosure. The Collections staff is very adept at achieving work outs that satisfy the loan requirements and leave the borrower whole.

What would be considered acceptable collateral and how has this been determined in the past?

Page 4, line 11 is standard language with regard to collateral requirements. Collateral is determined to be acceptable if it is in acceptable condition, has a determined market value, lien perfection is achievable, and there are no limiting factors. Limiting factors could be considerations regarding its location, possible environmental concerns, flood plain status, and similar concerns. The most common types of collateral accepted include real estate, aircraft, vessels, equipment, gear and inventory. The Division assigns a ratio to mitigate any of the limitation or risk factors associated with a particular type of collateral. Inventory is generally assigned a very low ratio of 25%, if it is accepted at all. The nature of the inventory will be taken into consideration. All of the foregoing is part of the due diligence that the lending staff regularly undertakes to determine if/how a loan application should advance to a credit decision.

Why was the loan fund summary discontinued and what was does the department need to continue this service?

In the past, this information was provided as part of a Division budget overview. The budget overview presentation was revised and submitted on a Department-wide basis. The Division will provide an update for yearend FY10 and year-to-date for FY11 no later than March 21. I believe the committee has a summary spreadsheet that provides some, but not all of this historical information.

Additional Information Based on Comments

Typical Default Rates

The Division has achieved an outstanding track record with regard to minimizing loan defaults and delinquencies. With regard to comparative default rates, a number of sources cite 4% as an average (Businessweek, WSJ). The SBA microloan program has a reported a 5 to 12 % rate, depending on the state. In Wisconsin, the average default rate was 9.26% and the median default rate was 5.58% (multiple loans administered by many agencies and NGOs). According to the Micro Capital Monitor, the 2006 average was 4.76% for U.S. micro lending. It is, perhaps, worth noting that according to 13 CFR 307.16 (d) an EDA funded RLF may have a default rate of 20% before a fund review is conducted and no specific action is mandated until the rate meets or exceeds 30%.

Clean-up of Inactive Loan Funds

The Division has historically continued to carry loan funds on its reports if there is any likelihood of a payment or other transaction. Loan Servicing reports include funds for which no active lending has occurred for many years, but some payment or interagency transaction may have occurred in the prior year. We welcome the discussion of streamlining this presentation of loan fund activity to focus on only those funds where active lending is occurring.

If I can provide any additional information, please let me know.

Senator Bill Wielechowski
c/o Municipal Clerks Office
632 W. 6th Ave. Suite 250
Anchorage, AK 99501



333 West 4th Avenue, Suite 317
Anchorage, AK 99501
Tel. 907-279-5650
Fax 907-279-5651

March 9, 2011

Re: Letter of support for SB34 "An Act establishing the Alaska small business revolving loan fund; relating to the fund and loans from the fund; and providing for an effective date."

Dear Senator Wielechowski,

Anchorage Downtown Partnership, Ltd. is an organization that represents over 900 business and property owners in downtown Anchorage, Alaska. Our mission is to increase cleanliness, occupancy rates, investment values and lease income; to decrease crime; to stimulate economic development; and improve the quality of life in downtown Anchorage.

We are writing to you today to express our support for SB34 "An Act establishing the Alaska small business revolving loan fund; relating to the fund and loans from the fund; and providing for an effective date."

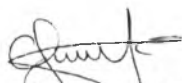
A small business revolving loan fund – or microloan fund – is precisely what many of our stakeholders have been searching for, particularly over the past few years. Despite the state of the national economy, the Anchorage economy has fared quite well and many of our member businesses actually experienced growth in demand for their goods or services, growth that many were unable to meet because they lacked the capital to ramp up the operations.

Examples among our stakeholders include: an architecture firm whose business grew during the past few years as federal, state, and local capital projects came to fruition, a hotel owner who was poised to renovate and upgrade his small hotel to meet the growing demand for "boutique" hotels. In both cases, these businesses were poised to grow to meet the demands for their particular product or service. And in both cases, they were unable to secure the capital needed to grow their businesses.

Creating a microloan fund to be administered by the Department of Commerce, Community, and Economic Development will benefit Alaska small businesses tremendously, including many of our downtown stakeholders. Providing faster access to capital for growing or expanding businesses that have been unable to secure loans through traditional means is precisely what small businesses need.

Thank you for bringing this bill forward. On behalf of our organization and the 900+ business and property owners we represent, we strongly support SB34 and look forward to its passage.

Sincerely,



Christopher M. Schutte

*Executive Director
Anchorage Downtown Partnership, Ltd.*

Department of Commerce, Community, and Economic Development

Division of Economic Development

Loan Servicing Report

as of January 31, 2011

	Division of Economic Development Funds						Funds Serviced for Other Agencies					
	Commercial Fishing	Fisheries Enhancement	Capstone Avionics	Historic Districts	Mining	Alternative Energy	Small Business Economic Development	Bulk Fuel Bridge Grant	Alcohol	Rural Development Initiative Fund	Rural Development Fisheries Revitalization	Summary
Loan Servicing Summary												
Total Loans and Other Accounts	2,006	315	7	2	1	4	67	32	0	30	12	2,476
Total Principal Amount Outstanding (\$ 000s)	76,110.6	94,774.3	424.5	50.5	381.7	14.7	6,658.9	1,716.2	0.0	2,933.4	1,061.0	184,125.8
Average Loan Amount	37.9	300.9	60.6	25.3	381.7	3.7	99.4	53.6	0	97.8	88.4	-
Performance Statistics												
Delinquent	2.7%	1.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.6%	0.0%	1.6%
Foreclosure	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.8%	0.0%	0.2%

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
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Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Sponsor Statement: SB 34

An Act Establishing the Alaska Small Business Revolving Loan Fund

The purpose of SB 34 is to promote additional economic development in Alaska by helping small businesses to secure needed capital for start-up or expansions,

- Alaska's loan fund would be modeled after the federal Small Business Administration's "Microloan Program."
- Only 2 states do not participate in the federal program. Alaska is one. The program is not available here because an intermediary lender is required, and no lenders meeting SBA qualifications have been identified.
- This bill would create a Small Business Revolving Loan Fund within the Dept of Commerce, Community, and Economic Development. All earnings and loan repayments would be retained in the fund for future loans and all operating expenses would be paid from fund earnings.
- Loan applicants must be Alaska residents and provide a reasonable amount of non-state matching funds. Loans are capped at \$50,000 for 1 individual and \$100,000 for 2 or more. Loans would bear an interest rate of prime plus 1%, with a minimum of 6% and a maximum of 8%.

Please join me in supporting this important legislation.

S.B. 34:

Alaska

Small Business

Revolving Loan Fund

Prime Sponsors

(Bipartisan)

Senators

**Menard, Ellis, Paskvan,
McGuire, Thomas, and
Wielechowski**

Purpose:

**To promote
economic development
by helping small businesses
in Alaska to access
critically needed capital**

The Need

- **Nationally, the number of small businesses able to obtain adequate financing has steadily decreased in the last several years.**
- **In 2008, 78% of small businesses reported adequate access to capital.**
- **This declined to 62% in 2009 and 59% in 2010.**

(National Small Business Association)

Fewer Loans

- **In 2009, new small business loans fell 33% to \$192 billion, the lowest total since 2000. (Federal Financial Institutions Examination Council)**
- **Small business use of nearly every financing mechanism has decreased -- from traditional bank loans to credit cards to vendor loans. (NSBA)**

Credit Crunch

- **80% of business owners – 4 out of 5 – report that their company has been impacted by the credit crunch.**

Why is this a problem?

- **Small firms tend to drive job growth, particularly during recoveries. They employ roughly half of all American workers and account for about 60% of job creation.**
- **Businesses less than 2 years old are especially vital. Over the past 20 years, start-ups have accounted for roughly 25% of job creation. When capital flows more freely, small businesses add new jobs.**

Is Alaska Different?

- **Probably not, according to experts. In fact, Alaska's higher business costs could exacerbate the problem.**
- **Support for small businesses is as important here as elsewhere.**

Given this ...

- Perhaps we should listen to Fed Chairman Ben Bernanke, who recently said:
- “Making credit accessible to sound small businesses is crucial to our economic recovery and so should be front and center among our current policy challenges.” (June 9, 2010)

One Answer: Micro-Loans

- **The Small Business Revolving Loan Fund Senate Bill 34 proposes is modeled after a program currently operated by the federal Small Business Administration.**

An Unmet Need

- **46 other states have “micro-loan” programs**
- **Alaska does not because an intermediary lender is required and no lenders meeting SBA qualifications have been indentified to date in the state**

A Little History

- Last year, Governor Parnell introduced HB 412 to create a state micro-loan program.
- The bill passed the House unanimously on April 13 but stalled in the Senate.
- Over the interim, we tried unsuccessfully to ascertain whether the Governor intended to re-introduce the bill.

Senate Bill 34

- **As a result, a bipartisan group of Senators decided to introduce SB 34.**
- **This bill differs from HB 412 in that the maximum loan amount has been slightly increased in response to comments from small business owners and new federal guidelines.**

Senate Bill 34, cont.

- ❖ **The Senate bill also requires applicants for loans over \$35,000 to prove they have been turned-down from a local financial institution before requesting a state loan.**
- ❖ **It also requires that applicants provide a minimum 20% match for the loan.**

Loan Eligibility

- ❖ Applicants must be Alaska residents and their businesses must be located in Alaska.
- ❖ They must provide sufficient collateral to secure the loan.

(Nationally, micro loans have a very low default rate – less than 5%. DCCED expects an even lower rate in Alaska. Overall, their default rate is .6%)

Loan Terms

- ❖ The loans would bear an interest rate of prime plus 1%, with a floor of 6% and a cap of 8%.
- ❖ The maximum term would be 6 years.

Loan Terms, cont.

- **Loans could not exceed \$50,000 for 1 individual and \$100,000 for 2 or more individuals.**
- **The program would be housed within the Department of Commerce, Community and Economic Development.**

Other Programs

This program would complement two existing programs administered by the Division of Economic Development:

- 1. The Small Business Economic Development Revolving Loan Fund**
- 2. The Rural Development Initiative Fund**

Economic Development Fund (SBEDRLF)

- This program relies on funding from the federal EDA and is targeted at communities experiencing economic hardship.
- Funds are primarily used for long-term financing and numerous federal requirements must be met.

Rural Development Fund (RDIF)

- **Created with state funds, primarily for long-term financing.**
- **Only available in communities of 5,000 or less (if not connected by road or rail to Anchorage or Fairbanks) or communities of less than 2,000 (if connected).**

Alaska

Small Business Loans

- **Would provide relatively short-term, low-interest loans to Alaska small businesses**
- **Could be used for working capital, purchasing machinery, equipment, inventory and leasehold improvements.**

Statewide Eligibility

- **Loans would be available in all regions of the state.**
- **The application process would be streamlined and fees would be modest: \$100 to apply and a 1% origination fee.**

Capitalization

- **The fund would be capitalized with \$3.5 million.**
- **All earnings and loan repayments would be retained by the fund for future loans.**
- **And operating expenses would be paid from fund earnings.**

Potential Fund Sources

- **Two possibilities:**
 1. **General funds (likely)**
 2. **State Small Business Credit Initiative funding through the U.S. Treasury (less likely)**

Small Business Credit Initiative

- **New federal program created by the Small Business Jobs Act of 2010**
- **\$1.5 billion appropriated to “strengthen state programs that support lending to small businesses and small manufacturers”**
- **Formula-driven program**

Small Business Credit Initiative, cont.

- **Alaska's share = More than \$13 million**
- **State has filed letter of intent to apply**
- **Application deadline : June 27, 2011**

Revolving Loan Funds: Self-Sustaining

- **Assumptions: 20 loans in first year**
- **Average loan = \$35,000**
- **25 in second year and every year thereafter**
- **By FY'17, all principle pushed out**
- **Fund starts earning money and re-lending**

Widespread Support For Micro-Loans

Business groups from across the state recognize the need for a micro-lending program, such as that proposed by S.B. 34.

Bristol Bay Economic Development Corporation

“By far, the most challenging aspect of starting a small business in our region is lack of capital; even when it involves a very small amount of money. Traditional sources of capital such as banks and other financial institutes are not viable sources of capital for small entrepreneurs in rural Alaska.”

**H. Robin Samuelsen
Chief Executive**

Anchorage Economic Development Corporation

“This modest investment by the state of Alaska could yield significant benefits for communities in every region of the state. The sizes of the loan are quite modest, as are the corresponding fees and interest rates charged. The infusion of capital this program offers will help both existing businesses and start-up businesses to bridge short-term funding gaps, purchase new equipment, expand services and employ more Alaska citizens.”

**Bill Popp
President and CEO**

Alaska Small Business Development Center

“Micro-lending is an opportunity for many small businesses who typically do not find lending options with banks due to the small amount of their loan request. Many lending institutions prefer loan applications with values of \$100,000 or more. ... The approval of micro-lending bills will significantly impact and support many small businesses throughout Alaska...”

Debi Fowler

Associate State Director

Southwest Alaska Municipal Conference

“In Southwest Alaska, a revolving loan fund could help small boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much needed capital to mechanics, day care providers, and a host of other small business startups and entrepreneurs.”

**Andy Varner
Executive Director**

Small Business Owner

“As a small business owner, I depend on credit to place orders for inventory, expansion, advertising and payroll during slow times. Availability of this credit has allowed many businesses to weather economic slow downs in the past and even to emerge stronger when the economy recovers. This recession is different: all forms of available credit have dried up, especially those for small business.”

Ted Ragains

Alaska Bankers Association

- SB 34 even has the support of the **Alaska Bankers Association.**
- The sponsors of this legislation worked closely with them to resolve any concerns they had.

Closing Thoughts

- **Small loans, many under \$15,000**
- **Alaska residents only**
- **Quick pay-back**
- **The difference between success and failure, especially when credit is tight**
- **Possible federal funding**
- **Self-sustaining, including operating costs**

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 10, 2011

SUBJECT: Sectional summary of CSSB 34(L&C) establishing the Alaska small business revolving loan fund (Work Order No. 27-LS0204\I)

TO: Senator Bill Wielechowski
Attn: Michelle Sydeman

FROM:  Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Gives the new material a short title. Places this in uncodified law.

Section 2. States legislative intent for the bill.

Section 3. Establishes the new Alaska Small Business Revolving Loan Fund.

Sec. 44.33.950 creates the new fund in the general fund. Allows the Department of Commerce, Community, and Economic Development to use money in the fund to carry out the purposes of the new fund provisions. Identifies the money and payments that make up the fund. Authorizes the legislature to make appropriations from the fund to administer the new fund provisions.

Sec. 44.33.955 lists the powers and duties of the department relating to the fund.

Sec. 44.33.960 sets out the eligibility requirements for applicants for loans from the fund, including (1) providing 20 percent of the money to be used on the project, and (2) proving that the applicant was turned down for a loan or that another loan is contingent on the fund loan. Indicates how an applicant meets the residency requirements.

Sec. 44.33.965 sets the monetary limits on loans to individuals and to two or more individuals. Sets a maximum term for fund loans and allows for extensions. Sets maximum and minimum interest rates for fund loans. Requires loans to be secured by collateral. Prohibits loans to individuals with established past due child support obligations.

Senator Bill Wielechowski
February 10, 2011
Page 2

Sec. 44.33.970 establishes a special foreclosure expense account and indicates when the department may use the money in the account.

Sec. 44.33.975 directs the department to dispose of property acquired through loan default or foreclosure. Requires the method of disposal to serve the state's best interest. Allows for amortization of payments.

Sec. 44.33.990 defines terms for the new provisions.

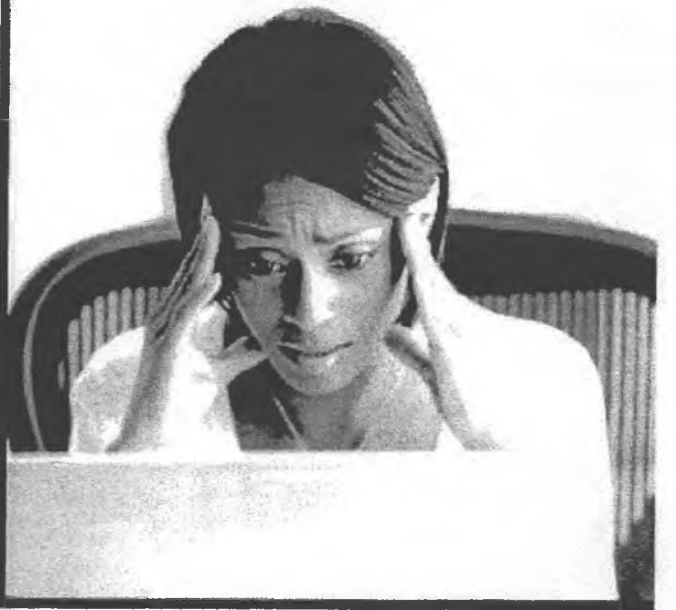
Section 4. Authorizes the department to begin the regulation adoption process for the new loan fund immediately. But the regulations may not take effect before July 1, 2011.

Section 5. Gives bill sec. 3 an immediate effective date.

Section 6. Aside from the start-up regulation authority, sets a general effective date for the bill of July 1, 2011.

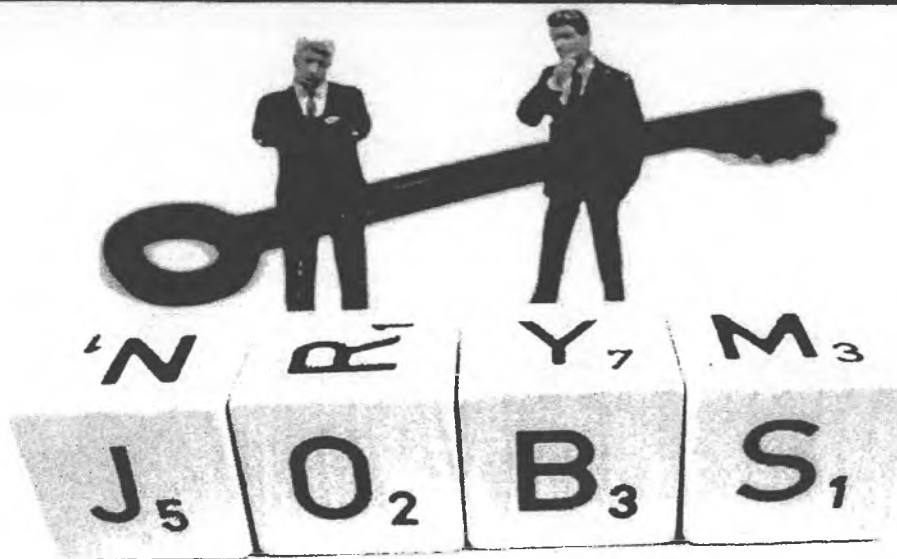
If I may be of further assistance, please advise.

TLB:plm
11-073.plm



2010 Mid-Year Economic Report

NSBA
National Small Business Association®



the terms of their loans have become more favorable.

Although lower demand for loans from small-business owners who are typically hesitant to take on additional debt in a distressed economy may be a part of the equation, the decrease in loans is more likely related to the terms and availability of such loans. Many banks appear unable or unwilling to lend affordable capital to any small businesses that doesn't meet their extremely high definition of a "creditworthy" small business.

Underscoring this fact, the April 2010 Federal Reserve Board (the Fed) Senior Loan Officer Survey reported that, although banks have begun slightly easing standards on large firm loans, little has changed for small firms. Among large banks, 19.4 percent eased their standards on loans to large firms while only 3.4 percent did the same for small business. Compounding matters, there was even a net tightening on loan terms to small businesses from smaller banks—the very banks that small businesses typically turn to as they are the last remaining institutions still willing to make character-based loans. The reason cited for this tightening was completely unrelated to the businesses themselves, and rather was due to a less favorable economic outlook and the banks' decreased tolerance for risk.

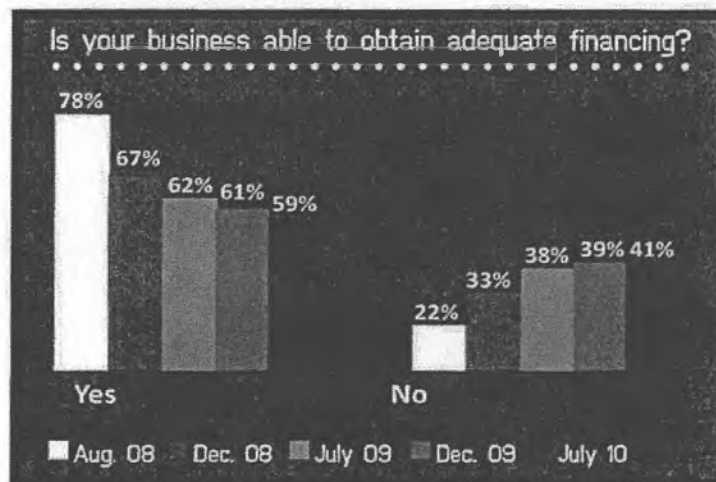
The implications of the collapsed housing market continue to haunt the small-business community. In August 2008, 12 percent of small-business owners leveraged their business loans with a second home mortgage. That number has been steadily decreasing since that time and is now at an all-time low of six percent.

CREDIT CARDS

Given the events of the last year, in which interest rates on credit cards remained high, credit-card limits were arbitrarily cut, and credit-card accounts were eliminated entirely by the credit-card companies, it is not surprising that the gradual decrease in credit-card usage has continued. Although the number of small-businesses relying on credit cards has dropped slightly, they still account for one of the largest sources of financing for NSBA's members.

In the last year, a major piece of legislation was passed, the Credit CARD Act, which went into effect in early-2010 and put a stop to some of the most egregious practices of the credit-card industry. Unfortunately that legislation didn't expressly include the cards used exclusively or primarily for small-business use despite the best efforts of NSBA and some key advocates on Capitol Hill. Credit-card companies and large banks railed against the legislation and an amendment to extend the protections to small businesses, warning that the legislation and the small-business inclusion amendment would make credit cards wildly more expensive and difficult to qualify for across the board.

Now four months after the implementation date, that simply



has not happened. Granted, a significant number of small businesses (48 percent) report that the terms on their credit cards have in fact gotten worse in the last several months, however that number actually decreased since the December 2009 report when 64 percent reported worsening terms in recent months. Given that many banks have voluntarily adjusted their standard operating procedures to extend the legislative protections to both personal and business credit cards, this is a clear indication that the legislation did NOT cause wholesale cost increases in credit cards as opponents to the bill projected. Furthermore, the survey indicates that the law is working, as fewer small-business owners reported that the terms of their credit card had worsened.

The interest rates small-business owners are subject to continue to be high, though not as a direct result of the legislation. The average interest rate small businesses pay is 16 percent. Half of small businesses (50 percent) pay more than 15 percent in interest rates on their credit cards. Nearly one-quarter (23 percent) of all small-business owners are currently paying 20 percent or more in interest rates. This has not been a notable change since the December 2009 report.

One particularly problematic trend that began in late-2008 was credit-card companies arbitrarily reducing the credit limit on a card—or shutting down the card entirely. For a small-business owner carrying a balance, this unexpected reduction results in a diminished credit score, as the owner suddenly is utilizing more of his/her available credit. With banks increasingly reliant on personal credit scores in their underwriting practices, this credit score hit can be quite problematic. Compounding matters, these reductions are typically due simply to the fact that, as a small business, they are viewed as a more risky credit option.

When asked in December 2008, 28 percent of small-business owners responded that they had experienced a decrease in their line(s) of credit or a credit-card limit in the past six months. Today, 36 percent—up slightly from 35 percent in December 2009—of small-business owners were subject to such a decrease in the last six months.



“There is a direct correlation between access to capital and job growth. Unless small-business owners are able to secure financing, we will continue to see high unemployment.”

Which one of the following issues do you believe Congress and President Obama’s administration should address first?

	July 10	Dec. 09
Reducing the tax burden	36%	43%
Increase small business access to capital	23%	18%
Reducing the regulatory burden on businesses	14%	15%
Health care reform	10%	7%
Rising fuel prices and addressing the nations’ dependence on oil	3%	4%
Credit card reform	3%	3%
Improving education to provide a qualified domestic workforce	1%	1%

Public Policy

Just months away from the mid-term elections with some key pieces of legislation having been passed—health care reform and financial regulatory reform to name a few—lawmakers find themselves still facing high unemployment and a struggling small-business community. Despite all the rhetoric about the importance of small business to the U.S. economy, too little has been done address the many issues bogging down America’s small-business owners. Small business has played a critical role in past economic recoveries; however they continue to be hit with increasing difficulty accessing capital, putting the brakes on any growth opportunities.

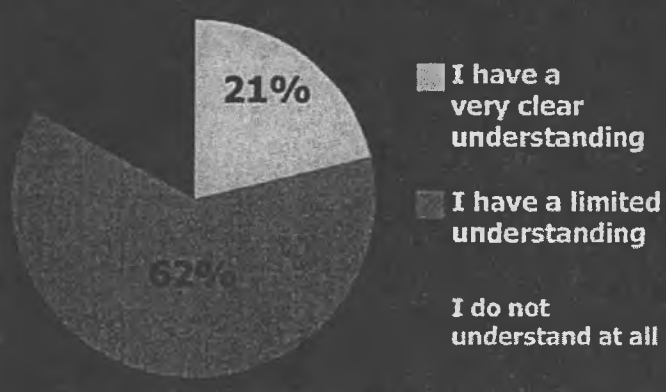
Small-business owners continue to rank “reducing the tax burden” as the top issue Congress and the administration should address. However in the last six months, there was a notable drop from 43 percent to 36 percent among those that ranked taxes their top issue. In that same time, the number of small businesses that ranked “access to capital” as the top issue Congress and the administration should address rose 5 points to 23 percent. Reducing the regulatory burden on small businesses and health care reform came in third and fourth, respectively.

HEALTH CARE REFORM

Despite the passage of broad health care reform—legislation which NSBA ultimately opposed due to its inability to truly address rising costs—small business owners continue to report dire consequences of rising health insurance costs. When asked how they have coped with rising health care costs, 24 percent, up from 20 percent in December 2009, were forced to reduce their workforce. That means one in four small businesses, in this terrible economy with high unemployment, is having to lay-off workers due to health insurance costs.

There exists a significant amount of confusion among small-business owners about how the new health care law will impact their business. When asked if their business will qualify for the small-business health care tax credit, only 10 percent said yes. The majority—52 percent—said they weren’t sure whether or not they were eligible for the tax credit. In more broad terms, small businesses were asked to rate their understanding of the new law, and only 21 percent said they have a clear understanding while 79 percent said they have a limited or no understanding at all of how their business will be impacted. Given that this survey is among

How well would you say you understand how the new health care reform law is going to impact your business?



What are the three most significant challenges to the future growth and survival of your business?

?	ECONOMIC UNCERTAINTY	73%
\$\$\$	DECLINE IN CUSTOMER SPENDING	47%
+	COST OF HEALTH INSURANCE	37%
⚖️	FEDERAL TAXES	36%
📁	LACK OF AVAILABLE CAPITAL	29%
📜	REGULATORY BURDENS	28%
🏠	STATE AND LOCAL TAXES	22%
✈️	FOREIGN COMPETITION	10%
💰	COST OF EMPLOYEE SALARIES	8%
👤	LACK OF QUALIFIED WORKERS	8%
👥	COST OF EMPLOYEE BENEFITS, NOT INCLUDING HEALTH INSURANCE	7%
💻	COST OF TECHNOLOGY	5%
☐	NO MAJOR CHALLENGES	1%

CONCLUSION

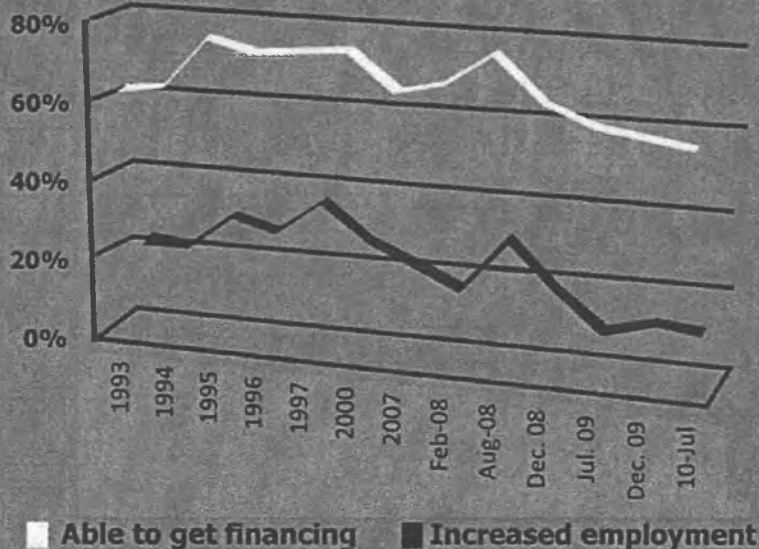
Small employers comprise 99.7 percent of all employer firms in the U.S. One in two workers in the private workforce run or work for a small business, and one in four individuals in the total U.S. population is part of the small business community (equaling 23 percent of the population.) Firms with fewer than 500 employees accounted for 64 percent of net new jobs between 1993 and the third quarter of 2008. Thirty-two percent of those gains came from the creation of new, small firms.

According to the Pew Research Center, small businesses are widely seen as having a positive impact on the country. Small business ranked number one with 71 percent of respondents having positive views. Large corporations, on the other hand, earned a 64 percent negative rating. Just 25 percent say the federal government has a positive effect on the way things are going in the country and banks and other financial institutions only earned a 22 percent positive rating.

According to SBA's Small Business Economic Indicators for 2003, when the economy gained momentum after the previous downturn in the early 1990s, firms with fewer than 500 employees increased their net employment in the first year after the recession, while large firms continued to shrink. From March 2000 to March 2001, small firms added 1.15 million net new jobs while large firms lost 0.15 million net new jobs.

NSBA believes more can, and must be done to ensure entrepreneurship remains a viable, attainable option for every American.

Amid all the financial concerns small-business owners face, the fact that Congress would approve this new, massively burdensome 1099 reporting requirement is unfathomable.



Alaska Bankers Association

February 14, 2011

Senator Bill Wielechowski
AK State Capitol, Room #101
Juneau, AK 99801

Dear Senator Wielechowski:

The Alaska Bankers Association consists of the following eight member banks: Alaska Pacific Bank, Denali State Bank, First Bank Ketchikan, First National Bank Alaska, KeyBank, Mt. McKinley Bank, Northrim Bank, and Wells Fargo Bank.

The Alaska Bankers Association would like to express our thanks for working with us to amend Senate Bill 34; the Small Business Revolving Loan Fund. The addition of the "turn down" language for loans over \$35,000 is of particular importance. We are satisfied with the changes made in the Senate Labor & Commerce Committee and are now in support of the bill.

As Craig Dahl, President of Alaska Pacific Bank, indicated in his testimony, the Alaska banks are actively engaged in making loans to the small business community. While the nation's headlines spoke to bank's not making loans, the banks watched loan demand slow or stop all together depending on the market. However, at no time during the last two plus years have any of the community banks in Alaska stopped lending in any of their portfolios.

To give you a sense of recent loan volume over the last two years, we have acquired a range of lending from several of our members. The following data represents the 2009 and 2010 new business loans under \$100,000 made by First National Bank, Northrim Bank and Alaska Pacific Bank.

2009	2010
1,060 \$34,146,278	1,035 \$37,796,775

This data represents three of our eight member banks in Alaska.

All banks, not just in Alaska, have excess liquidity and are looking forward to increased loan demand. If a viable business proposal walks into any of the Alaskan institutions, the proposal is going to receive a fair review. We want to make the loan as bad as the borrower wants it.

Again, thank you for working with the Alaska Bankers Association to craft a committee substitute that works for all of us.

Sincerely,



Joe Beedle
President, Alaska Bankers Association



Mat-Su Resource Conservation & Development

*"Fostering Responsible Resource Conservation and
Economic Development in the Matanuska-Susitna Borough"*

February 2, 2011

Senator Bill Wielechowski
Room 101, State Capitol Building
Juneau, Alaska 99801-1182

Dear Senator Wielechowski;

As the ARDOR in the Matanuska-Susitna Borough our goal is to assist in creating jobs, expanding the local economy, conserve natural resources and enhance the quality of life for the residents and institutions of the Matanuska-Susitna Borough.

One of the economic development tools we are in need of not only in the Mat-Su Borough but throughout the State is an effective Micro-Loan program that meets the broad needs of entrepreneurs in both rural and urban Alaska.

As an Economic Development practitioner I fully support the development of a broad reaching Micro-Loan program that allows Small Businesses access to much needed capital.

Sincerely,

Marty Metiva
Executive Director

1700 East Bogard Rd Suite 203A • Wasilla, Alaska 99654 •
Phone: 907-373-1062 ext 108 • Fax: 907-373-1064 • matsurcd@mtaonline.net





Southwest Alaska Municipal Conference

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 888.356.1206 www.swamc.org

Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

February 2, 2011

Dear Senator Wielechowski,

This letter is written in support of SB 34, a bill aimed at creating a micro revolving loan fund for the State of Alaska. Access to startup and working capital is a key component of starting new enterprises and creating jobs in Alaska, and many rural Alaskans do not have access to this type of capital.

In Southwest Alaska, a revolving loan fund could help boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much-needed construction capital to mechanics, day care providers, and a host of other small business startups and entrepreneurs.

Alaska is one of only four states in the nation that do not have a microloan program and this bill would resolve that and fill an unmet need that would help small businesses, which is why SWAMC supports it.

Our organization believes SB 34 is a valuable bill with great potential. I hope it can help add to Alaska's efforts to support our small businesses and entrepreneurs.

Sincerely,
SOUTHWEST ALASKA MUNICIPAL CONFERENCE

Executive Director



PRINCE WILLIAM SOUND
**ECONOMIC
DEVELOPMENT
DISTRICT**

Unalaska Bay

Cordova

Tatitlek

Valdez

Whittier

February 1, 2011

To Whom It May Concern:

On behalf of Prince William Sound Economic Development District, I would like to offer our support for Senate Bill No. 34 to establish an Alaska Small Business Revolving Loan Fund. This would be extremely helpful to those in our state who wish to open a new business.

SB34 would provide loans for working capital, equipment, construction or other purposes needed to start a business in Alaska.

We, therefore, support Senate Bill No. 34.

Sue Cogswell, Executive Director



ALASKA REGIONAL DEVELOPMENT ORGANIZATION

1207 Spierd Rd. Suite 207 • Anchorage, Alaska 99503 Phone: (907) 222-2440 • FAX: (907) 222-2411 • Tel: (907) 222-1672 • Email: www@ardor.net

This letter is written in support of Senate Bill 34, a bipartisan effort to create and maintain a Small Business Revolving Loan Fund for residents of the State of Alaska.

There is a need in Alaska for a funding source to support the needs of entrepreneurs who wish to initiate a small business and borrow a portion of their initial investment for it. Applicants would provide the remainder of funds from their own sources and would be responsible for repaying the amount borrowed at a reasonable rate of interest.

For residents of the Yukon Kuskokwim Delta, this program would provide an opportunity currently unavailable to them to establish their business idea and access needed capital for a startup or a business expansion.

Your support of this bill would provide a needed source of funds for potential small business entrepreneurs in Alaska who are currently underserved and without other resources to draw upon.

Thank you for your consideration of this request.

**Carl Berger, Executive Director
Lower Kuskokwim Economic Development Council
Bethel, AK**

THE WALL STREET JOURNAL

WSJ.com

JULY 12, 2010, 10:05 AM ET

Bernanke Urges Small-Business Lending

Federal Reserve Chairman **Ben Bernanke** urged banks and regulators Monday to seek out ways to ensure that small businesses get the credit they need to create jobs.

"Making credit accessible to sound small businesses is crucial to our economic recovery and so should be front and center among our current policy challenges," Bernanke said in prepared remarks to the Fed's forum on restoring credit to small businesses.

Declaring small businesses as "central" to tackling unemployment, the Fed chief said not enough is being done to ensure that financially sound companies can obtain loans.

Fed officials have become increasingly worried about the stubbornly high unemployment. The jobless rate edged down to 9.5% in June from 9.7% the previous month. But the economy shed jobs for the first time this year, with nonfarm payrolls falling 125,000 last month.



Reuters

Fed Chairman Ben Bernanke

"The formation and growth of small businesses depends critically on access to credit," Bernanke said in the text of his remarks. "Unfortunately, those businesses report that credit conditions remain very difficult."

The forum is the culmination of a fact-finding mission the Fed launched in February to identify how to improve credit access for small firms, which account for about 60% of job creation.

Fed officials have hosted more than 40 meetings around the country with small businesses, bankers and community leaders to identify obstacles that have contributed to a continued contraction in lending.

Bernanke cited data showing that outstanding loans to small businesses have declined to less than \$670 billion in the first quarter of 2010 from about \$710 billion in the second quarter of 2008.

While major banks eased loan conditions for big firms during the first quarter, lending standards remained tight among the local banks that small businesses rely on, according to the quarterly Fed survey. Similarly, a survey by the **National Federation of Independent Business** found that the proportion of firms reporting tighter credit conditions over the past three months remained "extremely elevated," Bernanke said.

Some lenders participating in the meetings viewed the current lending standards a return to more normal conditions following a period of lax standards. But Bernanke said "it seems clear" that some creditworthy borrowers are having trouble getting credit, even when strong cash flow is compensating for a loss in collateral.

"The challenge ahead for lenders will be to determine how to assess the credit quality of businesses in an uncertain and difficult economic environment," he said.

Lending to creditworthy borrowers is in their interest, Bernanke said, since "that's how they earn their profits."

Meanwhile, he said regulators should continue to work with lenders to help improve credit availability to sound small firms.

The Fed has been encouraging banks to ensure that credit-worthy small businesses can get the credit they need. Reacting to complaints that its own bank examiners are contributing to overly tight standards, the central bank is also conducting training programs with examiners to drive home the message that encouraging loans to small businesses that can repay is positive for the banking system.

Still, Bernanke cautioned against "one-size-fits-all solutions," saying that the meetings confirmed that each small business has a unique combination of local economic conditions and relationships with creditors and customers.

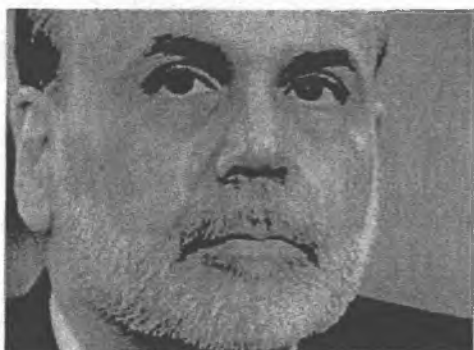
He didn't make any comments on the outlook for monetary policy.

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WASHINGTON, July 12, 2010

Bernanke: Small Businesses Denied Credit

Federal Reserve Chairman Steps Up Pressure on Banks to Lend More to Smaller Firms



Federal Reserve Chairman Ben Bernanke testifies on Capitol Hill in Washington, Wednesday, June 9, 2010. (AP Photo/J. Scott Applewhite)

(AP) Big companies are building up cash and are expected to report strong earnings starting this week. Not so for small businesses that can't get loans - or hire freely until they do.

The gap helps explain why the economic rebound isn't stronger and could even stall. Federal Reserve Chairman Ben Bernanke stepped up pressure Monday on banks to break the logjam and lend more to smaller firms, which employ at least half of American workers.

Small business owners are relying on personal credit cards or raiding retirement accounts to stay afloat, the Fed chairman said.

Bernanke and other regulators have urged banks for months to lend more to smaller companies. Lawmakers have complained that small businesses that want loans are having trouble getting them. Banks have countered by saying demand remains weak.

The Fed does have authority to create programs to increase lending, such as providing low-cost loans to banks. But economic conditions would probably have to weaken considerably before the Fed would propose such a move. One such program set up during the 2008 financial crisis was recently closed.

The Fed chief's latest comments came as legislative efforts to spur small-business lending have languished, and as the recovery has lost momentum. Bernanke spoke at a Fed conference held to explore ways to loosen lending to small companies.

"Making credit accessible to sound small businesses is crucial to our economic recovery,"
Bernanke said. "More must be done."

Some small business leaders say they would hire more if only they had easier access to loans.
One of them is Marilyn Landis of Basic Business Concepts Inc. of Pittsburgh, which compiles financial documents for other small businesses.

Landis says she would like to hire one or two more people for her 10-person firm and wants to expand into New England. Yet even though she says she's never missed a payment, Landis says her line of credit was cut about 18 months ago.

She relies on credit cards to pay for everything from supplies to payrolls. Without additional credit, she says, "It is impossible to expand, and I can't hire."

Nearly one-third of small business borrowers report difficulty arranging credit, the National Federation of Independent Businesses says.

By contrast, big businesses, which start reporting their second-quarter earnings this week, have enjoyed easier access to loans and low interest rates.

Analysts expect companies in the Standard & Poor's 500 to report a 42 percent jump in profit by one measure, S&P says. For the current quarter, which ends Sept. 30, they expect a 31 percent rise.

The big companies also benefit from something available to fairly few small businesses: plenty of cash.

In March, cash at S&P 500 companies hit a record \$837 billion - about a year and a half's worth of profits. And S&P senior analyst Howard Silverblatt says he expects cash to rise to a new record for the April-to-June quarter when figures are released later this summer.

Yet even as the economy has improved, lending to small businesses has declined. It's dropped from around \$710 billion in the second quarter 2008 to less than \$670 billion in the first quarter of this year. *

The Fed and other regulators have urged banks to step up lending to creditworthy small businesses. Despite the push, such lending is still tight.

The impact on the economy is severe because small businesses tend to drive job growth during recoveries. They employ roughly half of all Americans and account for about 60 percent of job creation, Bernanke said.

And newer small businesses - those less than two years old - are especially vital. Over the past 20 years, these startups accounted for roughly a quarter of all job creation, even though they employed less than 10 percent of the work force, he added.

The Obama administration in early May sent Congress a proposal to create a \$30 billion program to unfreeze credit for small businesses. The fund would provide money to small and medium-sized banks to encourage them to lend to small businesses. The legislation has yet to pass the Senate.

Bernanke said it's hard to tell whether the problem is banks refusing to lend to small businesses or a lack of demand from those companies. Each company faces different economic conditions and complex relationships with customers, suppliers and creditors, Bernanke said.

Some lenders say they have restored more traditional standards after a period of lax lending that contributed to the financial crisis.

Several big banks say they're already lending more to small businesses. Bank of America lent \$19.4 billion to small and medium-sized businesses in the first three months of 2010, an increase of nearly \$3 billion from last year. JPMorgan Chase and Citigroup have pledged to lend more, too.

Combined, though, the dollar amounts are relatively tiny compared with how much banks would lend in a healthy economy, said Robert DeYoung, a finance professor at the University of Kansas.

"These numbers would be dwarfed by the increase in lending after the economy starts recovering, and the economy hasn't really started to recover," DeYoung said.

Banks will be able to increase lending significantly, DeYoung said, only after businesses feel confident enough to take on more debt. Prodding banks to lend before then raises the risk that they'll make bad loans, he said.

"I wish I could conclude this wrap-up with a list of the three or four things we could do to immediately unlock small business lending," Fed Governor Elizabeth Duke said at the

conference. "But the problems are numerous and complex, and they will require creativity and persistence to solve."

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Bloomberg

Small Business Can't Get Loans From Bailed-Out Banks in U.S.



By Bob Ivry - Sep 16, 2010

Chip Besse figured he could hire a dozen people once he got a \$1.1 million small-business loan.

Wells Fargo & Co. turned him down.

U.S. taxpayers helped the San Francisco-based bank weather the 2008 financial crisis with a \$25 billion loan and \$9.5 billion of debt guarantees. By July 2009, when Besse wanted to buy and expand a Colorado snowmobile-rental business, Wells Fargo wasn't sharing the wealth, he said.

Besse, 29, had little success with 16 other lenders in 2008 and 2009. His list included New York-based JPMorgan Chase & Co., which agreed to provide less than 70 percent of what he wanted, and Charlotte, North Carolina-based Bank of America Corp., which Besse said kept him hopeful for a month before rejecting his application.

"I was furious," he said. "A lot of bankers are trying to justify their jobs and they waste everyone's time."

Besse, a Philadelphia native, was a partner in a London private equity firm with a credit score of 769 out of 850 and \$185,000 in a checking account. His search for a loan shows how difficult it is for small companies, which the Small Business Administration says created 64 percent of net new jobs over the past 15 years, to get credit -- even from banks that accepted billions in taxpayer-funded bailouts.

Trading, Not Lending

The U.S. government helped Wells Fargo, JPMorgan Chase and Bank of America back to health with \$189.3 billion in loans under the Troubled Asset Relief Program and debt guarantees through the Federal Deposit Insurance Corp. The rest of the country: not so much. That's in part because of policies the Federal Reserve has instituted to help banks, said Peter Morici, an economist and professor at the Smith School of Business at the University of Maryland in College Park.

"We've created a system that encourages bankers to trade, not lend," Morici said.

A record 41 percent of small business owners say they can't get adequate financing, up from 22 percent two years ago, according to a July report by the National Small Business Association, a 150,000-member advocacy group founded in 1937 that has surveyed entrepreneurs since 1992. New small-business loans fell 33 percent last year from 2008 to \$191.6 billion, the lowest total since 2000, according to the Federal Financial Institutions Examination Council.



Outstanding loans declined 16 percent as of June 30 compared with 2009, based on the council's data. Tighter credit makes it tougher for entrepreneurs such as Besse to hire some of the 14.9 million Americans who are out of work.

No Data

Spokespeople for the three big banks that Besse approached said they didn't track their small-business lending until last year, the middle of the longest economic downturn since the 1930s. It's therefore impossible to gauge their recent volume against their performance before the credit contraction began.

JPMorgan Chase increased new small-business loans 36 percent to \$4.5 billion in the first half of 2010 over the same period last year. Bank of America lent \$8.2 billion, a 1 percent increase, the company said.

Wells Fargo lent \$6.6 billion; it has no comparable number for 2009, according to Marc L. Bernstein, head of the bank's Business Direct and Small Business Segment. Banks define small businesses as those with annual revenue of less than \$20 million.

Little Demand

The three banks said they're lending as much as they safely can in an environment with few creditworthy small businesses and soft demand.

"The last thing we want the banking system to be is excessively liberal in its lending standards," said Bert Ely, a banking industry analyst in Alexandria, Virginia.

Entrepreneurs and their advocates counter that lending guidelines have become so strict that many business owners have given up trying to get credit.

"If the government had used the same lending criteria on the big banks that the big banks are using on us, the banks never would have gotten the TARP money," said Carl Calhoun, who tapped \$400,000 in home equity to finance his St. Petersburg, Florida-based mattress company,

Commercial Bedding Co., after he couldn't find a lender.

The credit crunch for small businesses has drawn the attention of President Barack Obama and Fed Chairman Ben S. Bernanke, who have both called for more lending.

With the U.S. unemployment rate stuck at more than 9.5 percent for the past year, the U.S. Senate today passed legislation that would provide \$30 billion in loans to banks with less than \$10 billion in assets. The bill, which now must go to the House for a final vote, includes incentives for the banks to extend credit to small businesses, along with tax breaks for eligible companies.

'Still Struggling'

"At a time when small business owners are still struggling to make payroll and they're still holding off hiring, we put together a plan that would give them some tax relief and make it easier for them to take out loans," Obama said yesterday.

While they won't disclose their investing strategies, JPMorgan Chase and Bank of America were among four banks that reported a "perfect quarter" in the first three months of this year. That means they made money trading every day. Wells Fargo wouldn't reveal how its trading desk fared.

The Fed's low-interest-rate policy makes it easy for banks to lend to the U.S. government rather than small businesses, said David Rosenberg, chief economist and strategist for Toronto-based Gluskin Sheff & Associates Inc., which manages \$5.4 billion.

Safe Yields

Banks, which can borrow at the overnight rate of about 0.20 percent, can get safe yields of more than 2.5 percent buying 10-year Treasury bonds and other almost risk-free U.S. obligations, Rosenberg said.

Banks held a record \$1.597 trillion of Treasury and government agency securities on Sept. 1, according to the Fed, 44 percent more than at the start of the recession in December 2007. The 10-year Treasury yield was 2.72 percent yesterday.

"The biggest risk in buying Treasuries is that interest rates will rise, and the Fed has repeatedly said short-term rates would remain close to zero as far as the eye can see," Rosenberg said.

Lowering interest rates has been part of the Fed's effort to facilitate small-business lending, said David W. Skidmore, a spokesman for the central bank in Washington.

Strengthening Banks

“Easier monetary policy encourages banks to lend to small businesses and other borrowers since the rates banks receive on alternative investments are lower,” Skidmore said. “And we have focused on strengthening the nation’s banks so that they can resume normal lending as quickly as possible.”

The Term Asset-Backed Securities Loan Facility, a Fed lending program established in November 2008, helped finance more than 850,000 small business loans, he said.

One option the central bank has to spur lending is cutting the 0.25 percent interest it pays banks on reserve accounts it holds for them, Bernanke said on Aug. 27. The central bank’s emergency lending and asset purchases since September 2008 have swelled those accounts to more than \$1 trillion, according to Fed data, a more than 20-fold jump since the bankruptcy of Lehman Brothers Holdings Inc.

Senior loan officers at big banks reported loosening credit guidelines for small businesses this year for the first time since 2006, according to a July survey by the Fed. Still, small business owners complain that banks have reduced credit lines and increased interest charges.

‘Zero, Zippo’

“Bailing out Wall Street has done zero, zippo, nothing to help small business and create jobs,” said Dale R. Kluga, 50, president of Cobra Capital LLC, a finance company in Darien, Illinois, that funds about \$40 million worth of equipment for small businesses.

Besse said he was eager to run his own outfit, so he left Clearbrook Capital Partners LLP when he found Grand Adventures LLC in Winter Park, Colorado. The company rents snowmobiles and arranges tours.

“It was a lifestyle decision,” he said. “I was thinking, how can I not work so much and have fun? Something where I can watch my kids grow up and be a part of the community.”

Since he had an account with Bank of America, he said he applied there first for a loan.

Jefferson George, a Bank of America spokesman -- like all representatives of banks Besse applied to -- declined to comment on Besse’s case specifically.

Bear Stearns

Besse approached Bank of America in June 2008, as financial institutions were tightening credit in the wake of the near- failure of Bear Stearns Cos. Since then, Bank of America’s lending to

businesses with less than \$20 million in annual revenue has fallen, according to regulatory filings. It had \$15.9 billion in such loans outstanding at the end of June, down 12 percent from the same date last year and 20 percent from two years ago.

Though Bank of America said in a July 27 press release that it had loaned \$45.4 billion in the first half of 2010 to small and mid-size businesses, about 80 percent of the loans went to companies with more than \$20 million in sales.

"There's very weak demand from the smallest businesses," said Kathie Sowa, Bank of America's small-business credit executive, who is based in Sacramento, California.

Demand only appears to have slackened because entrepreneurs are frustrated with lenders and have given up asking for money, said Galen Gondolfi, a senior loan counselor at Justine Petersen, a nonprofit microlender in St. Louis.

"I can tell you straight out: Small businesses are not getting the financing they need," Gondolfi said. "We are experiencing unabated demand."

Incomplete Statistics

Statistics on lending to small business aren't always complete. Data collected by the Small Business Administration include only loans backed by the agency. The Federal Financial Institutions Examination Council, established in 1979 and consisting of the Fed, the FDIC and other bank regulators, tallies outstanding loans with original amounts of \$1 million or less.

Loans backed by the SBA so far this year are down 14 percent compared with roughly the same period in 2007, according to the agency's data. They increased 47 percent to \$12.3 billion over last year, when the U.S. economy was contracting. SBA loans went to less than 1 percent of small businesses in 2009, according to data compiled by Bloomberg.

Besse took his quest for a loan to Wells Fargo in June 2008. After the bank's underwriters said they wanted him to have experience in the snowmobile business, he went to work for the company he wanted to buy, he said.

In July 2009, Wells Fargo turned him down.

Went Snowmobiling

"I had a relationship with them," Besse said. "They came out to Winter Park in January and went snowmobiling. They promised so many things and didn't deliver anything."

Wells Fargo's Bernstein said the bank made \$13 billion in new small-business loans last year,

followed by \$6.6 billion in the first half of 2010.

"We do everything we can to say yes," Bernstein said in an interview. He declined to discuss Besse's individual case.

Besse said a loan officer from JPMorgan Chase "moved faster than anyone else and operated the most honorably" and ended up offering a loan for \$750,000 -- less than Besse needed.

The bank was looking to pare back risk, Besse said the loan officer told him.

Banks need cash cushions to insulate themselves against losses from the property bubble that they haven't yet written off, said Christopher Whalen, co-founder of Torrance, California-based Institutional Risk Analytics.

Buybacks Possible

Such losses equal about one-third of the amount they've already written off as unrecoverable, Whalen said. For Bank of America, JPMorgan Chase and Wells Fargo, the total amount would be about \$50 billion, he said, based on the banks' regulatory filings.

Bank of America and JPMorgan Chase may be on the hook for as much as \$78 billion in home loans they sold to buyers during the housing boom such as government-controlled Fannie Mae and Freddie Mac, according to an Aug. 17 report by Washington-based Compass Point Research & Trading LLC. Mortgage buyers can demand reimbursement for loans that violate underwriting guidelines or involve fraud.

Jerry Dubrowski, a spokesman for Bank of America, said credit quality is improving and he wouldn't forecast charge-offs. Thomas Kelly, a JPMorgan Chase spokesman, said the bank is ready and willing and will continue to lend. Wells Fargo's credit losses peaked in the third quarter of 2009 and the bank expects them to continue to decline, Chief Financial Officer Howard I. Atkins said Sept. 13.

Banks Under Pressure

Besse finally got an \$850,000 loan from Collegiate Peaks Bank of Salida, Colorado. Collegiate Peaks, with four branches and \$164 million in assets, borrowed \$2 million in TARP funds, about .002 percent of the \$95 billion in TARP money that went to Bank of America, JPMorgan Chase and Wells Fargo.

Banks with less than \$10 billion in assets make 60 percent of the country's small-business loans, according to the Independent Community Bankers of America. They're under pressure to

make fewer loans now, said Bob Hahn, chief executive officer of Community Valley Bank in El Centro, California, where the jobless rate is 30.3 percent, the highest in the U.S.

Small banks are failing at a rate of one every two days, according to FDIC data, and they're facing greater regulatory scrutiny because of that, Hahn said.

"We're being told to raise more capital or shrink assets," said Hahn, whose bank has two branches and \$60 million in assets. "What's the primary asset of a community bank? Loans. That's where the pressure is coming from."

'Financially Savvy'

Besse's snowmobile business got credit in part because it had sufficient cash flow and the snowmobiles could be sold off in the event of missed payments, said Kim Palmer, the SBA lending manager at Collegiate Peaks.

"Chip is very financially savvy and has accomplished a great deal for someone his age and we saw this as a way to establish a relationship with someone like that," Palmer said.

Besse hired 12 new employees by adding a guided back-country skiing business he called Powder Addiction.

Shawn Edmondson, 36, a husband and father of two boys, 9 and 7, was a carpenter in the area when work "slowed way down" because customers couldn't get loans to renovate their homes, he said. He estimated that his 2008 income was \$15,000.

Besse hired him last year as a ski guide. Edmondson said he earned about \$200 in salary and tips every day on the slopes, surpassing his full-year 2008 pay in the six-month ski season.

"We don't make a lot, but this is income that keeps us afloat," Edmondson said. "We can pay our mortgage and stay on top of things."

To contact the reporter on this story: Bob Ivry in New York at bivry@bloomberg.net.



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Micro-Loan Program

SBA Program Office



Newsroom

The Microloan Program provides small, short-term loans to small business concerns as well as not-for-profit child-care centers. SBA makes funds available to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance; these intermediaries make loans to eligible borrowers. The maximum loan amount is \$35,000; the average loan is about \$13,000.

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FAQ

How Funds May Be Used

Microloans may be used for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. Proceeds cannot be used to pay existing debts or to purchase real estate.

E-NEWSLETTERS

FREE ONLINE TRAINING

Technical Assistance

Each intermediary is required to provide business training and technical assistance to its micro-borrowers. Those applying for microloan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

E-PAYMENTS

SBA DIRECT

Terms, Interest Rates, and Fees

Loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. The maximum term allowed for a microloan is six years. Interest rates vary, depending on the intermediary lender and costs to the intermediary from the U.S. Treasury. Generally, these rates will be between 8 and 13 percent.

MOST REQUESTED ITEMS

BUDGET AND PERFORMANCE

Collateral

Each intermediary lender has its own lending and credit requirements. Generally, intermediaries require some type of collateral and the personal guarantee of the business owner.

REPORT FRAUD, WASTE AND ABUSE

For More Information

Small businesses interested in applying for a microloan should contact an intermediary in their area; all credit decisions are made on the local level. The Microloan Program is available in selected locations in most states. A list of approved Microloan intermediaries in your area can be found [here](#).

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State Small Business Credit Initiative (SSBCI)

Overview

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative, which was funded with \$1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. The State Small Business Credit Initiative is expected to help spur up to \$15 billion in lending to small businesses. Under the State Small Business Credit Initiative, participating states will use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. The State Small Business Credit Initiative will allow states to build on successful models for state small business programs, including collateral support programs, Capital Access Programs (CAP) and loan guarantee programs. Existing and new state programs are eligible for support under the State Small Business Credit Initiative.

Who May Apply?

The State Small Business Credit Initiative is open to any state of the United States (and the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands) that establishes a new, or has an existing, capital access or state credit support program that meets the eligibility requirements in the Act. In certain circumstances, municipalities may have an opportunity to apply to the Treasury Department for State Small Business Credit Initiative funding.

Key Deadlines

- Notice of Intent to Apply. The first step in the application process is for applicants to file a "Notice of Intent to Apply" with the Treasury Department no later than 5:00 pm EST on November 26, 2010. The Notice of Intent form is available on this page under "Resources."
- Application package. The second step is to file a completed application package no later than 5:00 pm EST on June 27, 2011. The application form and required attachments are made available on this page under "Resources."