



ARC Loans Help Small Businesses Bridge Debt Gap

By David Valdez, Vice President Small Business Lending, Century Bank

Despite signs that the recession is easing in some quarters, many small businesses continue to struggle to pay off business-related debt. America's Recovery Capital Loan Program — better known as the ARC loan program — can provide up to \$35,000 in short-term relief to help qualified small businesses return to profitability.

The program was authorized by the American Recovery and Reinvestment Act, which became law in February. ARC loans are being offered by various Small Business Administration lenders until September 30, 2010, or as long as the money lasts.

How to qualify

To qualify for an ARC loan, the business must have been in operation for at least two years and have financial statements or tax returns showing profitability or a positive cash flow in at least one of the past two years. The business must be able to project sufficient cash flow to meet its business-related debts in the future.

ARC loans aim to help small-business people pay down or refinance existing business loans so they can redirect cash flow from making loan payments to investing in their businesses. The borrower must not be more than 60 days past due on any loan being paid with ARC funds. The business owner also must prove immediate financial hardship in the form of declining sales, frozen credit or difficulty meeting payroll or payments on rent or loans.

ARC loan proceeds can be used to make up to six months of principal and interest payments on mortgages, secured and unsecured loans, lines of credit and credit cards if the debt was incurred for business purposes. The loans are interest-free to the borrower and have no SBA fees attached to them. No payments are required for the first 12 months.

Where to go

Century Bank is among the SBA lenders in New Mexico now offering ARC loans to small businesses within its trade area: Santa Fe, Española and Albuquerque. Other banks that have made ARC loans in New Mexico are Bank of the Southwest, First New Mexico Bank Las Cruces, Valley National Bank and Western Bank.

Century Bank participates in the SBA's many loan programs, including the Express Program, which funds up to \$350,000, and Patriot Express Program, which can finance up to \$500,000 for veterans, spouses of veterans and people transitioning out of active duty with the military into a small-business venture. The 7a program is intended for financing larger amounts — up to \$2 million — or loans that otherwise might not qualify under the Express or Patriot Express programs. The SBA 504 Program is specifically designed for businesses wanting to purchase real estate and equipment. For more information about SBA loans, visit <http://www.sba.gov/>.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

