

NATIONAL ASSOCIATION OF PREMIER LENDERS (NAPL) SUPPORTS THE RECOVERY PROGRAM

The National Association of Premier Lenders (NAPL) is strongly dedicated to the cause of assisting small businesses through the current economic climate. Certified Development Companies (CDCs) have the ability to help small businesses by utilizing the unique position they hold within the lending industry to provide the access to capital necessary to help small businesses survive these strenuous times. Therefore, NAPL supports the Recovery Program which was recently created and designed to save viable small businesses which are on the verge of default or foreclosure.

Recently, REsource Capital coordinated their efforts with the Small Business Administration (SBA) to create a Recovery Program. The Recovery Program allows the CDC to purchase the First Deed of Trust on SBA 504 loans, using guaranteed Treasury funds for projects which have been approved by the SBA. Once the CDC has purchased the first position from the Third Party Lender, it enables the CDC to have greater freedom to negotiate terms with the borrower and establish monthly payments which are more affordable. Further, if the small business is unable to be saved, the Recovery Program is able to provide a greater recovery rate on the project. All loans approved for the Recovery Program are projects which the SBA would traditionally elect not to defend; therefore, the SBA would often receive little to no recovery under traditional foreclosure circumstances. However, through the Recovery Program, the CDC is able to take advantage of its unique position, superior knowledge of the local real estate market and its contacts to retain the property for a period of time to effectively market the property and eventually sell the property at a price which is more beneficial to the SBA and the CDC, thereby maximizing the recovery. Thus, the Recovery Program can provide job retention, keep businesses operating and effectively provide SBA a higher rate of recovery.

Several projects have been approved by the SBA to be included in the Recovery Program to further benefit the small businesses, banks and the SBA. Two such examples of successful implementation of the program are seen with Green Roads Hotel, LLC dba Hawthorn Inn and Nevada RE Marketing. The Hawthorn Inn is a hotel located in Ann Arbor, MI. Through the Recovery Program, a receiver was put into place at the property to manage the hotel, keep the business operating and save all of the associated jobs. The Recovery Program allowed the orderly placement of a receiver to ensure the hotel could continue operating through the busy season, maintain the jobs, and thereby continue to cash flow, without interruption. In the interim the hotels, in good operating conditions, have been listed for sale, and there have been several offers to purchase the properties at prices above the liquidation value. Nevada RE Marketing is a Real Estate Marketing firm located outside of Sacramento, CA which was on the verge of foreclosure and through the benefits of the Recovery Program was able to remain in business. This company is in currently implementing a change to its business strategy to adapt to the current market. The Recovery Program is giving this borrower the opportunity to re-invent its business and continue operating. The Recovery Program allowed both of these projects to stay in business, save jobs and negotiate an affordable monthly payment for their outstanding

loans. Without the Recovery Program, these projects would have gone into foreclosure which would have further burdened the borrowers, the associated jobs, the bank and the SBA. Furthermore, without the program, the additional bank-owned vacant properties would increase, causing additional stress on the local market and further burdens associated with vacant buildings.

This program has the potential to save many small businesses across the nation by providing the type of relief which is necessary under these urgent conditions. We advocate these opportunities should be available to all CDCs which are willing and able to take part in the program to better serve our business communities.

However, recent developments include SBA currently placing this beneficial program on hold. We urge our Congressional leaders, industry peers, bank partners and our impacted borrowers to contact SBA to encourage the continuation of one of the few programs truly reaching and positively impacting American small businesses.

Feel free to contact us with any questions, comments or concerns. Bruce Thompson, Executive Director, (760) 641-5470 or bthompson@napl504.org

Common Questions Regarding the Recovery Program

Q: What are the benefits of this program?

A: 1) The Recovery Program can help viable small businesses stay open during these times of economic turmoil; therefore, the program is designed to assist small businesses in retaining jobs, allowing a business to continue operations and breathing new life into an SBA 504 loan which would have failed.

2) The Recovery Program is able to assist banks through this difficult time by purchasing the First lien position of a troubled asset. This purchase removes the asset from the books of the banks' lending portfolio, thus alleviating the burden and allowing the banks to lend to other borrowers.

3) In circumstances when a business is unable to continue operations, the Recovery Program can provide a higher rate of recovery for the SBA, compared to the traditional foreclosure process. As all projects accepted into the Recovery Program are loans which the SBA would elect to not defend, the SBA would typically earn little to no recovery on each loan. However, through the Recovery Program, the CDC is able to take advantage of its unique position to work with the property and ultimately achieve a recovery, which directly benefits the SBA.

Q: How can this program help small businesses?

A: The Recovery Program is able to help small businesses by providing them payment relief during these difficult economic times. By purchasing the first lien position, the CDC maximizes its flexibility to work with the borrower to negotiate a payment which is more affordable, thus providing the payment relief necessary to keep the business operating and keep staff employed.

Q: What does this program cost the taxpayers?

A: The Recovery Program is provided at no cost to the taxpayers. Although Treasury funds are used to purchase the First Deeds of Trust on projects approved by the Small Business Administration, all Treasury funds are guaranteed by the CDC and will be paid back in full, with interest.

Q: How does this program correlate with the views of President Obama and his Administration?

A: President Obama and his Administration continue to work with Congress and the private sector to help stimulate the economy through any means necessary. Assisting the small business community becomes more of a priority each day, and while the Recovery Program was created specifically to assist the fragile small businesses, it has the potential to become a very powerful asset for the Administration.

Q: What is the overall potential for this program?

A: The Recovery Program has tremendous potential to assist small businesses across the country. Each day more small businesses fall victim to the difficult economic times and are forced to close their doors. The Recovery Program can help these businesses in times of need and has the ability to provide a unique service to the small business, the Third Party Lender and the SBA. By expanding this program, jobs all across the nation could be saved and businesses could stay open; thereby, providing a fighting chance to businessmen and businesswomen all across the country to make it through the current recession.