



Great Lakes Asset Corporation

SBA Certified Development Company

American Recovery and Reinvestment Act

On February 17, 2009 President Obama signed into law the American Recovery and Reinvestment Act. As part of this Act, the U.S. Small Business Administration and the U.S. Department of Treasury are taking important steps to address the economic challenges facing small businesses, and put much-needed capital into their hands:

- The U.S. Department of Treasury will commit up to \$15 billion to help unlock the frozen credit markets by purchasing small business loan securities currently frozen on the secondary market. By purchasing these securities, it will unlock these secondary markets, and free up more capital to jumpstart lending for small business owners.
- For eligible 504 loans approved on or after February 17, 2009, the SBA will temporarily eliminate two program fees: the Certified Development Company (CDC) processing fees charged to borrowers; and the third party participation fees charged to lenders. These measures will reduce costs to both borrowers and lenders (see example below). Depending on loan volume, the SBA estimates that it will be able to eliminate these fees on loans approved approximately through December 31, 2009.
- Some 7 (a) loan fees have also been temporarily eliminated. In addition, guarantees on some 7 (a) loans will be raised up to 90 percent.
- Under the Recovery Act, a 504 refinancing program will be created to help expand existing long term projects by working with CDCs to restructure and refinance existing loans into SBA-backed 504 loans.
- A new program will be created to use guarantees to promote the sale of 504 first mortgages. The SBA will establish a process for private sector entities to apply for federal guarantees on pools of first lien position 504 loans. This will provide liquidity to the 504 first mortgage market.

The following example shows how the temporary elimination of some 504 loan fees will impact a 1.5 million project using a 50% (bank), 40% (504 loan), and 10% (borrower injection) split. These savings are significant!

<u>Before Recovery Act</u>		<u>After Recovery Act</u>	
Net 504 Proceeds	\$600,000	Net 504 Proceeds	\$600,000
CDC (GLAC) Fee (1.5%)	\$9,000	CDC (GLAC) Fee (0%)	\$0
Closing Cost (attorney)	\$2,500	Closing Cost (attorney)	\$2,500
Funding Fee (.25%)	\$1,500	Funding Fee (.25%)	\$1,500
SUBTOTAL	\$613,000	SUBTOTAL	\$604,000
Underwriter Fee (.4%)	\$2,472	Underwriter Fee (.4%)	\$2,428
TOTAL	\$615,472	TOTAL	\$606,428
Gross Debenture	\$616,000	Gross Debenture	\$607,000
Cash to Borrower	\$528	Cash to Borrower	\$572
Lender Fee (.50%) (based on \$750,000)	\$3,750	Lender Fee (0%)	\$0
TOTAL FEES	\$19,222	TOTAL FEES	\$6,428
		TOTAL SAVINGS	\$12,794

Please contact Great Lakes Asset Corporation to discuss these exciting changes to the SBA loan programs. For more information on the SBA and Treasury initiatives visit their web sites @ sba.gov or recovery.gov.