



NEWS

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FILMMAKERS PRAISE SBA FINANCING PROJECT

WASHINGTON – “The right help at the right time” is how film industry experts describe news from New York and Los Angeles last week that commercial banks will make U.S. Small Business Administration (SBA)-guaranteed loans to finance production of U.S. independent films.

“The SBA funding will make the U.S. much more competitive, in part stemming the tide of independent films leaving for production in Canada, Australia and the UK (United Kingdom),” said Barry Collin, president of the Association of Independent Feature Film Producers.

To help reverse the trend of producing U.S. films in foreign countries, the SBA is working with experienced lenders to finance small, entrepreneurial film producers. The project is the first of its kind to offer SBA-backed loans for creative businesses with nontraditional forms of collateral.

The key is recognizing that intellectual property can be used as collateral to secure a loan. **“The benefits of such an initiative are vast,”** said SBA Administrator Aida Alvarez. **“While the immediate impact will be felt by the film and television industry, it could extend to high tech, music and other industries that are developing and selling intellectual property and creative works.”**

Collin said there are two important changes in the independent filmmaking industry that make this source of funding especially timely.

“The big studios are creating fewer and fewer films because they can’t take the risk of failure,” Collin said. “They’re focusing on the blockbusters,” he said, and not taking risks on smaller films. But with the advent of digital technology, “you can produce a movie for a million dollars,” Collin said.

Collin signed a partnership agreement with the SBA last week in Los Angeles. That agreement, and one signed simultaneously in New York with the New York Women in Film & Television (NYWIFT), will help bring awareness of the SBA’s loan programs and this film-financing project to the filmmaking and television production industries.

Marcie Setlow, president of NYWIFT, signed the agreement in New York with SBA Administrator Alvarez. “This is not only good for independent producers in the United States, it’s good for the whole array of production and film support services, everything from camera rentals to post-production facilities,” Setlow said.

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A 1999 study by the Screen Actors Guild and the Directors Guild of America revealed production of U.S. films in foreign countries resulted in the loss of 20,000 jobs and \$10.3 billion in revenue to the U.S. economy.

Morty Durbin, representing the New York Production Alliance, attended the announcement and signing ceremony in New York. Durbin said the availability of SBA-backed funding “is a link in the chain that will help lock down movie making in this country.”

Additional information about SBA's programs and services is available at SBA's Web site: <http://www.sba.gov> or by calling the SBA's Answer Desk at 1-800 U ASK SBA.

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SBA LOAN PROJECT FOR INDEPENDENT FILMMAKERS

On December 14, 2000, Aida Alvarez, Administrator of the U.S. Small Business Administration announced an SBA loan project to provide government-guaranteed backing for commercial loans to small independent filmmakers. Alvarez and SBA officials in Los Angeles simultaneously signed partnership agreements with representatives of filmmaking associations in New York City and Los Angeles, pledging the mutual assistance of the SBA and the associations to help small, independent filmmakers fund their creative projects.

- The project is designed to keep production of small, independent films at home, reducing the exodus of U.S. film production to other countries for financial reasons.
- In 1998 “runaway productions” cost the U.S. economy \$10.3 billion in lost revenue and wages (Monitor Company, June 1999).
- The project recognizes intellectual property as collateral to secure SBA-guaranteed loans.
- In New York, the agreement was signed with Marcie Setlow, president of the New York Women in Film and Television (NYWIFT), a non-profit organization dedicated to helping women reach success in film, television and other programming media.
- In Los Angeles, the agreement was signed by Barry C. Collin, president of the Association of Independent Feature Film Producers (AIFFP). The 20,000-member association is a California non-profit educational and advocacy organization in Hollywood dedicated to the advancement of the art, science and business of independent feature film production. Also signing was Selise E. Eisman, program director for Women in Film Los Angeles.
- Loans requested under this project will be funded according to the rules and provisions of the SBA’s 7(a) guaranteed loan program. The agency’s largest loan guaranty program last year provided 43,748 loan guaranties for a record \$10.52 billion in small business start-up or expansion capital.
- In order to receive SBA funding, films must be produced in the United States and a portion of the film distribution rights must be presold.
- Films must meet community standards and cannot be of “prurient sexual nature” nor advocate any particular religious or political doctrine.
- In Los Angeles last spring, “The Gristle” became the first independent film to be produced with partial funding from an SBA-guaranteed loan. Two other loans for West Coast productions are in process.

- The processing and underwriting of these loans requires an understanding of the unique risk associated with film financing. Such loans will only be processed by lenders familiar with these requirements. For more information on this financing project, call the local SBA District Office in your state. That phone number is available by calling 1-800-U ASK SBA (1-800-827-5722).