



# NEWS RELEASE

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## ***SBA ADDS SECOND LOAN PROGRAM TO HELP SMALL BUSINESSES AFFECTED BY NAFTA***

### ***Companies in Affected Areas Eligible for Discounted Loans***

WASHINGTON – Small businesses in areas that have been negatively affected by changing trade patterns resulting from the North American Free Trade Agreement will be eligible for lower-cost loans under the U.S. Small Business Administration's (SBA) 504 Certified Development Company loan program, SBA Administrator Aida Alvarez announced today.

Small businesses in over 200 counties and 21 urban areas in 31 states and Puerto Rico are eligible for these lower-cost loans. A complete list of the eligible communities can be found on the SBA's Internet Web site at [www.sba.gov/financing/fraaip.html](http://www.sba.gov/financing/fraaip.html).

"These loans will help finance economic revitalization in areas that have experienced trade-related job losses attributable to NAFTA," said Administrator Alvarez. "NAFTA has been a net plus for the nation's economy, and the Clinton/Gore Administration's free trade policies have been a big contributor to our nation's economic prosperity."

"At the same time, we have a clear commitment to help people in those areas where problems have occurred," Administrator Alvarez said. "Combining the SBA's loan programs with the know-how and competitive energy of small businesses is the most effective way to meet this challenge."

Small businesses in the affected areas have been eligible for the SBA's 7(a) loans with lowered fees under the Community Adjustment and Investment Program (CAIP) since August 1997. Initially, SBA's flagship 7(a) General Business Loan Guaranty Program was the only SBA loan program included in the project. Today's announcement expands SBA's involvement to include the 504 Certified Development Company (CDC) program on a pilot basis.

CDCs are nonprofit corporations set up for the purpose of contributing to the economic growth of a community. The program provides small businesses with long-term fixed-rate financing for major fixed assets such as land, buildings, machinery and equipment.

Typically, a 504 project combines a loan from a commercial lender covering up to 50 percent of the project cost, a contribution by the borrower of at least 10 percent, and a loan funded through the sale of 100 percent SBA-backed securities for the remaining amount.

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Under this pilot program, the SBA fee, the CDC processing fee and the commercial lender participation fee will be paid by the North American Development Bank (NADBank). SBA's 7(a) loans are similarly included under the CAIP program, with the NADBank underwriting the guaranty fee costs.

Under the CAIP program, loans and loan guaranties are made available through the SBA's 7(a) loan program, the 504 CDC program, the NADBank and the U.S. Department of Agriculture's (USDA) Business and Industry Loan Program. The NADBank is an international financial institution jointly capitalized and governed by the United States and Mexico to finance domestic investment in both countries.

The U.S. Treasury Department and the NADBank select the impacted communities based generally on unemployment levels and job losses attributable to NAFTA. The SBA is responsible for marketing and guaranteeing loans in the listed urban areas. In rural areas, local lenders will have the option of forwarding applications to SBA or USDA, depending on what best suits the needs of the loan applicant.

To be eligible, a small business must meet three criteria -- be located in a designated area, meet conventional SBA loan standards as to creditworthiness, repayment ability and size requirements, and be able to show that it will create or retain one job for every \$35,000 of the total loan amount. Interested small business owners in the affected communities should contact the nearest SBA office for more information.

Communities that have suffered negative impact by NAFTA-related changes in trade and commerce patterns that are not on the list of designated areas can petition the NADBank office in Los Angeles for inclusion.

For more information on the SBA loan programs, including the 7(a) and the 504 CDC programs, visit the SBA website at <http://www.sba.gov/financing/indexloans.html>.

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*For more information about all of the SBA's programs for small businesses, call the SBA Answer Desk at 1-800-U-ASK-SBA, or visit the SBA's extensive Web site at [www.sba.gov](http://www.sba.gov).*

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