

The Facts About . . .

The Y2KAction Loan for Small Businesses

If your small business is in need of capital to ensure that it will be “Y2K OK,” then the U.S. Small Business Administration may be able to help. Under the Y2KAction Loan Program, SBA-participating lenders can extend credit to eligible small businesses for Y2K systems assessments, repairs and upgrades before Jan. 1, 2000, and, in addition, recovery after that date.

Equipment with computer chips traditionally has used a two-digit date code to store data. After Jan. 1, 2000, much of the equipment may not recognize the two-digit code, which could affect everything from employee payroll records to payments due, from traffic signals to utility bills, or from coffee makers to computers.

It's not enough to just ensure that your business is Y2K compliant. Y2K problems can also affect your customers, your partners and your suppliers. It's vital to make sure they are addressing the potential problem as well. If they're not, then each business could suffer, and the short time remaining until the problem crops up is fading quickly.

Use of Proceeds

Y2KAction loans can generally be used for three purposes:

- To Review -- your business's vulnerability to Y2K, purchase computer software to help you locate any potential problems, or hire a consultant to check your system;
- To Repair -- or quickly fix any Y2K problems your business may encounter, or to purchase new computer hardware and;
- To Recover -- after Jan. 1, 2000, if your business is adversely affected by Y2K problems, including economic injuries caused indirectly by any other entity, such as a supplier or service, if insurance doesn't cover the loss.

Please note: The program authorizes the SBA and its lending partners to structure Y2KAction loans to allow borrowers maximum flexibility for repayment. Refinancing of debt must conform to existing requirements as described in the SBA's Standard Operating Procedures Manual 50-10 (4). Consult with your lender or the SBA for more information.

Who Is Eligible?

The Y2KAction loan operates under the general guidelines of the SBA's 7(a) loan program and provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. Your business must be operated for profit and must meet the SBA's size standards for a small business. Loans cannot be made to businesses engaged in lending, pyramid schemes, gambling, illegal operations, speculation or investment.

How It Works

You submit a loan application to any private lender participating in the SBA's 7(a) Loan Guaranty Program. Once the lender determines that financing is unavailable without SBA assistance, the lender may request a Y2KAction loan guaranty from the SBA. After SBA approval, the lender closes the loan and disburses the funds.

The SBA can provide the lender up to a 90 percent guaranty on Y2KAction loans of \$100,000 or less. The guaranty is up to 85 percent on those loans of more than \$100,000. The SBA's guaranty rates for Y2KAction loans are 10 percentage points higher than its guaranty rates for other 7(a) loans, except for SBAExpress, which remains at a 50 percent guaranty. The maximum SBA exposure in dollars for a Y2KAction loan is \$750,000. If you have an existing SBA-guaranteed or direct loan, the maximum total SBA exposure is \$1 million.

Information is also available at the SBA's World Wide Web site, www.sba.gov/y2k/.

Terms, Interest Rates and Fees

As with other 7(a) loans, interest rates are negotiated between the borrower and the lender. However, lenders generally may not charge an interest rate on loans that exceeds 2.75 percent over the prime lending rate, except for loans under \$50,000, where rates may be slightly higher. For loans with less than a seven-year maturity, the interest rate cannot exceed 2.25 percent over prime.

Collateral

You must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business.

For More Information For More Information

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or contact:
- Phone: 1-800 U ASK SBA
- Fax: 202-481-6190
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-888-REG-FAIR
- Internet
SBA Home page: <http://www.sba.gov>
Gopher: <http://www.sba.gov/gopher>
U.S. Business Advisor: <http://www.business.gov>

SBA Partners

Inquire at your local SBA office for the location nearest you.

- Business Information Centers -- BICs
- Tribal Business Information Centers -- TBICs
- One Stop Capital Shops -- OSCSs
- Service Corps of Retired Executives -- SCORE
- Small Business Development Centers -- SBDCs
- U.S. Export Assistance Centers -- USEACs
- Women's Business Centers -- WBCs

Publications

- The Facts About ... SBA Publications -- a listing of free SBA publications

Did you know that in fiscal 2000 the SBA –

- maintained a guaranteed loan portfolio of more than \$40 billion in loans to 491,000 small businesses that otherwise would not have had such access to capital?
- backed more than 47,100 loans totaling \$10.8 billion to America's small businesses?
- made a record 3,456 investments worth \$3.24 billion through its venture capital program?
- provided more than 30,000 loans totaling over \$728 million to disaster victims for residential, personal-property and business losses?
- extended management and technical assistance to nearly 830,000 small businesses through its 12,400 Service Corps of Retired Executives volunteers and 1,000 small business development center locations?
- helped 6,000 small disadvantaged businesses obtain \$5.9 billion in federal contracts?

Did you know that America's 23 million small businesses --

- employ more than 50 percent of the private work force?
- generate more than half of the nation's gross domestic product?
- are the principal source of new jobs?

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

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