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SBA puts veterans' loans in express lane

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Business Strategies

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Twin brothers Russell and Kevin Otway, both veterans, are among the winners of Florida International University's latest business plan competition.

The Otways are working on a Miami-based business that focuses on energy efficiency and conservation. The twins, 28, are completing their master's degrees at FIU.

Russell served in the Navy first, getting out before the Iraq war, while Kevin was a master helmsman in the Middle East, returning in 2004. Kevin hurt his back while he was in the service and Russell wanted to make sure his brother rested up after his return. That's why the twins returned to school.

"He took a break and he really needed it," he says.

Barring Kevin's redeployment to Iraq -- he remains in the reserves -- the twins plan to pursue their home energy audit business. "We treat the whole home as a system and look at the losses in that system," Russell Otway says.

To finance their business, the twins have been talking with Small Business Administration counselors about loans for veterans.

The SBA already has a veterans loan program, but last week launched the Patriot Express Pilot Loan program -- an extension of the current SBA Express Loan program that allows banks to make quick turnaround loans without getting SBA approvals.

"It's no SBA approval, no SBA forms. Lenders have lots of autonomous authority. If someone walked in and said, 'I need \$250,000,' they can commit to the borrower. It eliminates bureaucracy," said John Dunn Jr., assistant district director for the SBA in South Florida.

Dunn says there's a special need for loans for spouses of reservists who are trying to run the family business while their husband or wife is in Iraq. Loans of up to \$1.5 million are already available for small businesses sustaining economic injury because an owner or essential employee was called to active military duty.

Under the Patriot Express program, loans of up to \$500,000 will be available to veterans, service-disabled veterans, reservists and National Guard members and current or widowed spouses.

The loans can be used for business purposes including start-up, expansion, equipment purchases, working capital, inventory or real estate purchases for the business. Rates are generally 2.25 percent to 4.75 percent over prime, depending on loan size and maturity.

The SBA makes the loans a win-win by increasing its loan guarantee for lenders, up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans from \$150,000 to \$500,000.

Note, however, that for loans above \$350,000, lenders are required to ask for all available collateral -- which would include a small business owner's home.

Dunn says of the 87 participating lenders that are SBA lenders, 50 of them participate in the express lending program. In South Florida, the top SBA lenders are Bank of America, Capital One and Washington Mutual.

So far this year loans to veterans are exceeding the district's goals, Dunn says. Year to date, 180 loans have been made to veterans under existing SBA programs, which is 66 percent of the agency's goal for the 2007.

The agency begins processing requests for loan guarantees under the Patriot Program on June 28.

For more information, see [sba.gov/patriotexpress /index.html](http://sba.gov/patriotexpress/index.html) or contact the South Florida District SBA for a list of local lenders at 305-536-5521 .

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