

## **SBA Loans Status as of 08.14.09**

Below is interaction between Jack Muellerleile  
and Mike Ford (specialist handling carwash fundings nationwide)

### **QUESTIONS – 08.12.09 Jack to Mike**

Mike:

See attached WSJ article which documents the belief by most U.S. economists that the present recession is over.

What's generally happening now with the loan committee approvals at SBA preferred banks? Are they still moving 'top of the stack' applications to the bottom again to stretch out the approval / denial process?

How about your wholesale lines? Are they still willing to act on your clients' applications for debt funding of new-to-industry EXPRESS Exterior Tunnel Carwash projects?

Are there any trends developing within either group?

While I and my clients will be glad to hear good news regarding loan approvals, it will come as a double-edged sword. As soon as debt funding becomes routinely available again some negative things start happening out on the bricks, including:

1. National Credit Tenants will unfreeze their expansion effort and begin taking the very best high volume sites again thereby reducing the number of them available for my clients;
2. Shopping Center Developers / Managers will take note of this and increase the starting rental rates for the prime out parcel pad locations (were around \$160,000 NNN annually but are now around \$120,000 per year); and
3. Sellers will increase their asking price (was around \$60-\$75 per square foot but are now around \$50-\$55 per SF).

Anything you can give me regarding the timeframe still in place between now and a full return to normality will be very much appreciated since it will allow me to better inform the 'fence-sitters' among clients as to how much longer they can remain on the fence before paying a lot for their continued seat.

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**ANSWER – 08.13.09 Mike to Jack**

Jack:

I haven't had any luck on predicting the future since I dropped my crystal ball. However, I can say that things are getting better in the car wash lending business. We have had strong demand for refi's. Most recently, we have seen an increase in the number of applications for acquisitions of existing car wash sites. It seems that the demand revolves around the acquisition and subsequent conversion of existing washes to express/flex serve. It looks like it may be a good time to buy. Prices have softened and opportunities have increased. One thing potential car wash investors need to consider is timing. If investors are planning on taking advantage of the waiver of SBA fees from the current federal stimulus package, now is the time to act. According to Grady Hedgepeth, SBA's Director of Financial Assistance, .... If we continue our current pace (of SBA lending) we will be out of those quotas (SBA fee waiver money) by the end of this year.

I hope that this information is helpful. As always, Coast Commercial Credit is funding car wash transactions and we look forward to assisting you and your clients on your next project.

Thank you,

**Michael Ford**

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**COMMENT by Jack 08.14.09 regarding dollar amount of fees now being waived**

I contacted Mike Ford about this in an attempt to QUANTIFY THE DOLLAR VALUE OF THE FEES CURRENTLY BEING WAIVED as part of today's federal stimulus package and was given a 20 line answering email addressing lots and lots of variables which may or may not apply to a particular funding package. Trying to simplify things, I asked for the calculation of fees waived for two scenarios and was able to get the following ballpark numbers.

<b>Scenario</b>	<b>Costs</b>	<b>Fees Waived</b>
Improvements only on leased land	\$2,000,000	As much as \$53,000* or more
Land @ \$2 Mil plus \$2 Mil improvements	\$4,000,000	As much as \$83,000* or more

**\*\$53,000-\$83,000 is a very significant savings.**

**CONCLUSION: If an SBA loan is part of your ECW capital funding plan, apply for it now.**