

Adventures in McCloudland

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Chapter 26

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With the added expense of the experts, our money was not going to carry us through the next three months. Lee put in a call to the loan broker that we would need to access the loan funds by the end of next month. He'd said, "I'll be in touch, don't worry."

Two weeks later we called the broker again. "The bank is ready to issue your SBA loan, but the best they can do is \$125,000." We needed and expected a loan of over \$500,000 and he was telling us we could get \$125,000. We told him we needed the full amount to complete the project. He advised us to take the \$125,000 as "it's not very often that a bank will loan on this kind of project. You should take this loan. It's probably the only one you'll get."

Lee and I were stunned. We'd been progressing like money was no problem. At least that's what the broker had said. I felt the bottom drop out. Our soul sank into some kind of unbelievable pit. Surely, he must be wrong. SBA guarantees these loans, why wouldn't a bank be willing to loan on this project? We clearly didn't understand any of the dynamics.

We scrambled to consider our options. Even if we cutback in the size of the project, \$125,000 was not nearly enough. Did the bank believe we could still do this with a drastically reduced loan? They must have thought we padded the estimates and could actually do it for less. Otherwise, if we had to decrease the project size, our business plan and projections wouldn't work. We immediately asked each other, how can we cut back on the project to make it work? There must be a way.

But there wasn't. We had to do the plumbing, heating, wiring, and sprinkler systems. We had to have at least 17 rooms (the first and second floors) to generate enough income to pay for the loan and operating expenses. We could cut out the garages and gardens, but that won't save much.

Ray had continued to work over the last several weeks and we were nearly out of money to pay him. We tried not to panic.

Our last ace-in the hole was Lee's retirement account. He had left a position with a large architectural firm five years before. He'd worked there for nearly 20 years. When he left he took his profit sharing plan and invested it in a retirement account. It was valued at \$250,000. We had held back even thinking about that account as we knew it would be foolish to start this business without a cushion. We also knew that if we drew out any of the money now, we'd get hit with more taxes. It would be taxed as ordinary income just like the proceeds of our house and Lee's salary. We'd lose about 45 cents on every dollar we took out. Still, it was the only answer. What alternative did we have? We couldn't possibly go without paying Ray.

We called the investment broker and told her we'd have to withdraw some of the money for the project; at least enough to pay Ray for the work he had done. A long silence was followed by, "You can't, not until Lee is 62½ or you get hit with a penalty." She continued, "With the penalty for an early withdrawal and high taxable income bracket, you'd net less than \$0.35 on each dollar withdrawn."

Shaking and nervous, we called the loan broker again and asked about the possibility of a bigger loan. He advised us that the bank definitely would "not loan any more on this project." He said, "If you want a larger loan, you will have to shop for it yourselves." I could almost hear him smirking, "Fat chance."

We couldn't take the smaller loan. It would use up the small value of the building and land to secure it and it would only pay off current debts and continue building for another month. We'd then be dead in the water without any way to get money to finish the project or any income to repay the loan.

We told Ray to stop work until we could get the finances worked out. But inside we were sick. Never in our lives had we incurred such a debt we couldn't pay. How were we going to get the funds? Neither of us had relatives with money. Lee's and my parents were both gone. Family members in our generation were struggling themselves.

We'd just have to get it from a different bank. Everyone in the county was so excited about this project that there must be a bank in the area who would finance it. I immediately made appointments with banks in Mt. Shasta and Yreka for the following Friday. Lee started taking Fridays off too, so we could visit banks. During the following week I refined our business plan. I had our accountant review and critique it.