email to:

Dallas Tonsager, Under Secretary, Rural Area
Judith Canales, Administrator, Rural Business & Cooperative Service
Pandor Hadjy, Acting Deputy Administrator, Business Programs, Rural Business & Cooperative Service
Curtis Wiley, Chief of Staff to RBS Administrator, Rural Business & Cooperative Service

August 3, 2009

Dear Mr. Tonsager:

The July 24th USDA Federal Register Notice Vol. 74 No. 141 disqualifies hotels and motels that have pools or water parks. Although a hotel with a water park can most likely be construed as a resort, almost all hotels now are required by the franchisor to have a pool. Rarely I have come across a scenario that a hotel is built without a pool; In the past probably hotels in metropolitan areas were required by franchisors to have a pool but nowadays the franchisors are trying to build consistent brands where many features are similar from location to location and provide reliability and familiarity for the clients. In fact in recent years the franchisors are so focused on brand recognition and consistency that are dictating the model of the mattresses, the color and a specific range of models for the furniture, the design of the front desk and the business room, and the specific type of menu for the breakfast served. No longer does a pool in a Days Inn categorize that hotel as a resort spot. I am actually financing a hotel through USDA program in Wyoming that is adding a business center and a pool to just remain up to standards even in its small rural area.

I do not know how this item was added to the disqualification list and what thought processes are behind it. What is being sensed from my clients who are hoteliers is that the industry is probably facing its most difficult credit crunch in the recent history. During the 9/11 we may have had hotel revenues dropping hence disqualifying them for loans but liquidity and loans were still available. Today credit market is at a melt down and we are down to two guaranteed programs, the USDA and the SBA 7a loans for financing hotels and although limited on the loan size and the geographic location, still a large population of hotels can benefit from these two programs. Shutting the spigot on the USDA financing vehicle for hotels is a final blow to the industry's viability sending it from the ICU to the cold room. Many of these hotels are able to survive if their rate and terms were adjusted to a reasonable level. USDA terms are so favorable now that a refinance adds a huge cash flow benefit helping these owners through this and next year while the economy is scraping the bottom. The survival of these businesses of course means jobs and the economy of the rural areas. Problem is that this help needs to come soon while with little attention we can return to a stable operation.

Now although the regular USDA funds can be used for the hotels, many lenders would just prefer to take advantage of the 90% guarantee and would most probably stay away from any USDA financing that does not qualify for the Stimulus fund. This means even those few lenders who were going through the lengthy USDA process and providing hotel loans are now having a specific motivation not to finance hotels.

I am trying to gather support to request USDA to revisit this disqualification item and to consider the devastating impact it is having on this industry, an industry that needs help as much as any other but may not have the leverage and the influence of them such as the auto industry. I appreciate your advice and your help in guiding me through this process letting me know how honestly and truthfully I can channel the feedback of the members of this industry to USDA and to request a review of this matter with the goal to avoid any bureaucratic exercise in times when any delay may directly be responsible for the economic demise of many small family owner operators, the vendors, the contractors, and the businesses that are depending on these owners' survival to survive themselves.

Regards,

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