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For Immediate Release
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Mortgages Targeted At Small Businesses Deemed "Toxic"

Entrepreneurs With Good Credit Scores Enticed By Adjustable Rates

Washington, D.C., November 21, 2008 – The nation's small businesses own ninety-three percent of all "toxic" mortgages and are at risk of defaulting on their loans/payments. The data, released today by the National Association for the Self-Employed (NASE) in coordination with Prof. Samuel D. Bornstein and Jung I. Song, CPA of Bornstein & Song, CPAs and Consultants, shows that these "toxic" loans did not go to subprime borrowers. Rather, these "toxic" mortgages were targeted to small business owners who were prime and near-prime borrowers and may now find themselves facing sky-high monthly house payments. The results of the study were extrapolated based upon an estimated 16.2 million self-employed small business owners in 2007, according to the Small Business Administration's Office of Advocacy.

With the majority of the nation's small businesses being run from a home office, this alarming evidence has significant implications for businesses owners facing foreclosure who may be forced to shut down for good. The "toxic" mortgages that were marketed to prime or near-prime borrowers include Alt-A, Alt-A ARMs, Option ARMs, and Interest-Only.

Based on the NASE survey, approximately 3,709,800 micro-businesses hold "toxic" mortgages. The magnitude of this Alt-A and "toxic" mortgage crisis exceeds the subprime mortgage crisis which had $855 billion of subprime loans outstanding.

"These small business owners will be at-risk for "payment shock" and default as their monthly mortgage payments skyrocket during the "resets" that are scheduled to begin in 4th Quarter 2008 and continue through 2012," said Prof. Samuel D. Bornstein of Bornstein & Song, CPAs and Consultants. "The resulting defaults will be the cause of the upcoming second "tsunami" wave of foreclosures that will dwarf the subprime crisis and will take many homeowners and small business owners."

"The current housing crisis is hurting entrepreneurs because they are unable to obtain important financing, such as home equity loans in order to start, operate and grow their businesses," said Kristie Darien, Executive Director of the NASE Legislative Office. "Addressing the housing crisis and credit crunch for the small business community must be the first steps taken to minimize our nation's economic decline."

Survey Highlights:

- **22.9 % (3,709,800* At-Risk)** of all self-employed business owners used risky or "toxic" mortgages or refinancing that are scheduled to "Reset".

- **19.2 % (3,110,400* At-Risk)** of all self-employed business owners are at-risk of "payment shock". They do not know the monthly mortgage payment that they will be required to pay at "Reset".

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- **18.4 % (2,980,800* At-Risk)** of all self-employed business owners are very worried about the monthly mortgage payment due at "Reset".

- **7.9 % (1,279,800* Immediate Risk of Default)** of all self-employed business owners have already missed one to three or more monthly mortgage payments at this date before expected resets in 2009 to 2012.

Small Business Financing

Each type of financing has inherent risks for the small-business owner and their firm. In this financial meltdown, home equity financing and lines of credit have been frozen or withdrawn, while credit card debt has been subjected to extra fees and higher interest rates. These forms of financing may become unavailable or too expensive to maintain, leading to cash flow problems and business failure for small entrepreneurs.

- **33.9 % (5,491,800* At-Risk)** of all self-employed business owners used their home for mortgage or refinancing to get cash for personal or business expenses.

- **49 %** used various forms of debt (mortgage, home equity, credit card, etc) **to start their businesses**. Credit Card Debt was **28 percent** of total debt.

- **66.9 %** used various forms of debt (mortgage, home equity, credit card, etc) **for additional cash for their business operations**. Credit Card Debt was **39 percent** of total debt.

For detailed commentary on the results of the NASE's *Housing and Economic Survey: A Micro-Business Perspective* provided by Samuel Bornstein, Professor of Accounting and Taxation at Kean University's School of Business and Bornstein & Song, CPAs and Consultants, please click here.

Full survey results: http://advocacy.nase.org/research.asp