

# SBA NEW JERSEY

April 2009  
The Stimulus Edition

Extra Edition

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### About SBA New Jersey

SBA New Jersey is a quarterly newsletter written and distributed by the U.S. Small Business Administration's New Jersey District Office.

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Helping small businesses **start, grow** and **succeed**.



Your Small Business Resource

## PRESIDENT BOLSTERS SBA PROGRAMS WITH STIMULUS BILL

**W**ith one stroke of his pen, President Barack Obama signed the American Recovery and Reinvestment Act into law. The Bill contains a package of loan fee reductions, higher guarantees, new SBA programs, secondary market incentives, and enhancements to current SBA programs that will help unlock credit markets and begin economic recovery for the nation's small business sector.

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help.

"The tax incentives and credit stimulus elements of the Recovery Act will truly help small business owners



**Signed and Delivered**—On February 17, 2009, President Obama signed the American Recovery Reinvestment Act into law. The bill has been hailed as a major milestone on the long road back to a sustainable economic future. (White House photo by Pete Souza)

affected by the credit crunch, and will provide them with specific programs that will make it easier and less expensive for them to obtain loans," said SBA New Jersey District Director, James A. Kocsi. "We see these changes as a great way to jump start our economy."

## What this means for New Jersey Small Business Owners

### **90 Percent Guarantee/Elimination of Loan Fees**

\$375 million for the temporary elimination of fees on SBA loans and raises guarantee limits up to 90 percent on most types of 7(a) loans.

### **Increase in Microloan Funding**

\$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders. Under the program, small business owners are allowed to borrow up to \$35,000 through SBA's approved microloan intermediaries.

### **Refinancing Fixed Assets**

Allows small business owners to utilize SBA's 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh capital for small business expansion. Also, temporarily eliminates 504 loan fees for both borrowers and lenders.

### **Surety Bonds**

\$15 million for expanding SBA's Surety Bond Guarantee program. SBA guaranteed surety bonds have increased from \$2 million to \$5 million on bid, payment and performance bonds. Also, there is a new provision that allows SBA to guarantee a bond on a federal contract amounting to \$10 million following certification by the contracting officer that the bond guarantee is required.

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## Recovery Act Gives SBA Tools to Boost Small Businesses



By  
**James A. Kocsi**  
SBA's NJ District Director

The Administration is taking actions to make a big dent in the small business credit crunch by offering new incentives to small business borrowers and lenders through the American Recovery and Reinvestment Act and Department of Treasury actions.

With tax incentives and steps to encourage lending, the Recovery Act recognizes that small businesses are part of the solution to getting our economy moving again. The bill's primary goals for the U.S. Small Business Administration are jump-starting job creation, re-starting lending, and promoting investment in small businesses.

The Recovery Act provides entrepreneurs and lenders financial relief from the current economic crisis that will help encourage borrowing and lending to all small businesses, including start-ups.

For small businesses, the Recovery Act temporarily eliminates SBA guaranteed 7(a) and 504 loan fees and offers tax credits. For lenders, it temporarily eliminates 504 loan fees. The fee eliminations are retroactive to February 17, the day the Recovery Act was signed. SBA is developing a mechanism for refunding fees paid on loans since then.

The Act also supports guarantees of up to 90 percent on most types of 7(a) loans to qualified small businesses. The temporary loan fee eliminations and 90 percent guarantee provisions will apply to approximately \$8.7 billion in 7(a) loans and \$3.6 billion in 504 loans. SBA estimates this will cover lending in both programs through calendar year 2009.

In addition, the Treasury Department will commit up to \$15 billion in TARP funds to help unfreeze the small business lending market, which will particularly benefit community banks, credit unions and other small lenders. Treasury will purchase existing and new SBA-backed loans made by banks, freeing up more capital so these banks can restart SBA-backed lending to local small businesses. This is yet another step in President Obama's plan to assist small businesses during this economic crisis.

SBA staff is working hard to implement the rest of the Recovery Act's programs for small busi-

nesses. There are a lot of moving parts, but our aim is to put these programs in place as quickly and effectively as we can so they have the broadest and most rapid effect possible on small business credit markets.

The Act provides SBA with \$730 million in total funding. This includes \$375 million to cover the costs of temporarily eliminating loan fees and raising guarantee limits on some loans; extra funding for SBA-backed Microlenders; and \$255 million for a new loan program to help viable small businesses with immediate economic hardship make payments on existing loans.

The Recovery Act also authorizes SBA to use its 504 program to refinance existing loans for fixed assets as part of a business expansion project; to use its guarantee authority to establish a secondary market for bank loans made under the 504 loan program; and to make loans to broker-dealers who buy SBA-backed loans from lenders and pool them for sale to investors on the secondary loan market.

Also under the Act, small businesses that need surety bonds to compete for construction and service contracts can qualify for SBA-backed surety bonds of up to \$5 million, more than double the previous \$2 million maximum.

Another element of the Recovery Act that is already in place is SBA's Microloan program. These non-profit, community-based lenders make loans of up to \$35,000 to small businesses and start-ups. Because this program is already operating, you can go to a Microlender today and apply for a loan. The Act funds \$50 million in new loans by these Microlenders, plus \$24 million to help pay for the technical assistance and training they provide to loan applicants.

We have already seen significant interest in a new program, America's Recovery Capital, or ARC Stabilization Loans, by lenders and small businesses alike. Once in place, this temporary new program will offer deferred-payment loans of up to \$35,000 to viable small businesses that need help making payments on an existing,

qualifying loan for up to six months. These loans will be 100 percent guaranteed by SBA. Repayment would not have to begin until 12 months after the loan is fully disbursed, giving small businesses time to re-focus their business plans in order to succeed in the long run.

The bill also helps SBA-licensed Small Business Investment Companies by raising the level of SBA funding they can receive to make venture capital investments in small businesses. It also raises the percentage of their investments that must be made in smaller businesses from 20 percent to 25 percent.

Finally, I want to emphasize that all of SBA's existing programs are open for business – we are backing loans, and providing technical assistance, training, and contract help to entrepreneurs every day.

In short, SBA is working overtime to get these provisions in place to begin knocking down the obstacles that are keeping credit from flowing to small business entrepreneurs, whose proven ability to create new jobs and commerce is second to none, and in whose hands the next phase of our economic recovery rests.

### Where You can go for Help

Additional Information on the American Recovery and Reinvestment Act may be obtained by visiting the following Web sites:

[www.sba.gov/recovery](http://www.sba.gov/recovery)  
[www.recovery.gov](http://www.recovery.gov)

If you would like to speak to an SBA representative about the changes to existing SBA programs or the development of new programs, please call our office at (973) 645-2434.

## What this means for New Jersey Small Business Owners

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### America's Recovery Capital Loans

America's Recovery Capital, or "ARC" Stabilization Loans. Once in place, this temporary program funded to \$255 million, will offer deferred-payment loans 100 percent guaranteed by SBA for up to \$35,000 to viable small businesses that need help making up to six months' worth of payments on existing, qualifying, non-SBA backed loans.

### Secondary Market Expansion

The bill authorizes SBA to establish a secondary market for pools of "first lien" loans under the 504 program. These "first lien" loans from commercial lenders currently have no SBA guarantee. The bill authorizes SBA to deploy federal guarantees for pools of these first lien loans, so that they can be sold to investors in a secondary market. Providing liquidity for these first mortgages will help encourage lenders to continue participating in SBA's 504 loan program, which provides a key source of capital for community development and other projects.

The bill also empowers SBA to set up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for SBA-guaranteed 7(a) loans. These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market. This program may help address some of the issues facing the secondary market for SBA loans and may ultimately help SBA lenders make new loans to borrowers.

### Investment Program

The bill helps SBA-licensed Small Business Investment Companies (SBICs) and families of SBIC funds better leverage the capital they use to invest in small businesses. The bill sets maximum levels of funding the agency can provide to these companies at up to three times the private capital raised by those companies, or \$150 million, whichever is less. It also raises the percentage any one SBIC can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of any licensee's dollar investments that must be made in "smaller" businesses.

## Economic Recovery Forums Slated to Discuss the American Recovery and Reinvestment Act

In an effort to promote and discuss the American Recovery and Reinvestment Act with small business owners, lenders, members of chambers of commerce, business associations and government leaders, SBA's New Jersey District Director, James A. Kocsi and his staff will be participating in a series of Economic Recovery Forums. A number of these forums have already been scheduled at various locations throughout the state. Two of the meetings are being hosted by Congressman John Adler and Senator Frank R. Lautenberg.

"The only way we can get this economy rolling again is if we make sure the small business community is properly informed about the changes to existing SBA programs and the development of some new programs.," said Kocsi. "We have to reach as many people as possible in a short amount of time. We thought these forums would be a good place to start. "

### Schedule of Economic Recovery Forums

Date	Location	Time	Registration Contact
April 20, 2009	Paramus	9:30 a.m. - 11:30 a.m.	(973) 639-8700 or at <a href="mailto:office_events@lautenberg.senate.gov">office_events@lautenberg.senate.gov</a>
April 21, 2009	Ewing	8:30 a.m. - 10:00 a.m.	Ursula Sanders (973) 645-2530 or at <a href="mailto:ursula.sanders@sba.gov">ursula.sanders@sba.gov</a>
April 23, 2009	Vineland	9:30 a.m. - 11:00 a.m.	Ursula Sanders (973) 645-2530 or at <a href="mailto:ursula.sanders@sba.gov">ursula.sanders@sba.gov</a>
May 4, 2009	Toms River	9:30 a.m. - 11:00 a.m.	Ursula Sanders (973) 645-2530 or at <a href="mailto:ursula.sanders@sba.gov">ursula.sanders@sba.gov</a>