

SBA STIMULUS UPDATE

The American Recovery and Reinvestment Act 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 to reach more small businesses that need help. The funding includes:

- \$375 million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed shares, up to 90 percent for certain loans
- \$255 million for a new loan program to help small businesses meet existing debt payments
- \$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
- \$20 million for technology systems to streamline SBA's lending and oversight processes
- \$15 million for expanding SBA's Surety Bond Guarantee program
- \$25 million for staffing up to meet demands for new programs
- \$10 million for the Office of Inspector General

90 Percent Guarantee

The bill allows SBA to raise its loan guarantee from the current levels to as much as 90 percent for some loans. The 50 percent guarantee on SBA Express loans would remain unchanged.

Business Stabilization Loans

The bill creates a new SBA loan program to provide deferred-payment loans of up to \$35,000 to viable small businesses that need the money to make payments on an existing, qualifying loan for up to six months. These loans will be 100 percent guaranteed by SBA.

Refinancing

The bill also gives SBA the power to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion.

Secondary Market Expansion

The bill authorizes SBA to establish a secondary market for pools of "first lien" loans under the 504 program. 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.

Surety Bonds

The bill also raises the maximum contract amount that can be covered by an SBA guaranteed surety bond from \$2 million to \$5 million, and, under certain circumstances, for contracts amounting to \$10 million, and provides additional funds to cover the costs of expanding this program.

SBA has established teams to tackle the wide variety of policy decisions, regulatory changes, legal issues, and new program requirements authorized in the stimulus bill. We will keep you informed as details are worked out and released.