



2009 RECOVERY ACT



HELPING SMALL BUSINESS START, GROW AND SUCCEED

Improved Financing to Start or Expand Your Small Business

If you're an entrepreneur looking to start or expand your business, the U.S. Small Business Administration has some good news for you.

As part of the American Recovery and Reinvestment Act of 2009, the SBA is temporarily eliminating some borrower fees on two programs and temporarily increasing guarantees up to 90 percent on the 7(a) program, SBA's largest loan program. The fee elimination means more capital available to businesses at a lower cost. The increase in guarantee levels will help provide banks with the greater confidence they need to extend credit during the current economic crisis, which will mean more capital available to small business owners across the country.

The act temporarily eliminates fees for borrowers in the 7(a) program and is effective for loans approved after Feb. 17, 2009, the date the Recovery Act was signed. The SBA will refund qualified fees that have already been paid on those loans to lenders, who will then be required to reimburse the borrowers who paid the qualified fees.

Before the Recovery Act, a typical 7(a) loan of \$300,000 carried a guarantee fee of between 2 and 3 percent. That same loan today, with the new 90 percent guarantee and the temporary fee elimination, would save a borrower about \$8,100.

Some fees are also temporarily eliminated for both borrowers and third-party lenders on 504 Certified Development Company loans. Borrowers are not required to pay a 1.5 percent CDC processing fee, which on a typical loan of \$600,000 would save them about \$9,000. This SBA program provides long-term, fixed-rate, subordinate mortgage financing for acquisition and/or renovation of capital assets, including land for buildings and equipment. Loans are provided through CDCs that work with banks and third-party lenders to finance the overall project.

The temporary loan fee eliminations and increased guarantee provisions will support approximately \$8.7 billion of 7(a) loans and \$3.6 billion of 504 loans. SBA estimates this will cover lending in both of these programs through approximately the end of calendar year 2009.

The SBA Loan Guarantee Programs

SBA-backed loans provide a key source of financing for viable small businesses that have real potential but cannot qualify for loans from traditional sources. The business loans SBA guarantees are provided by participating banks and other lenders. The loans are funded by these organizations that underwrite the loans.

The business must be established for profit, and must also meet SBA size standards that define a small business. To qualify for an SBA 7(a) guarantee, a small business must meet the lender's criteria and SBA's 7(a) program requirements. In addition, the lender must certify that it could not provide a loan under the proposed terms and conditions without SBA's guarantee.

Many of the loans SBA backs go to underserved markets. In fact, SBA loans are more likely to go to businesses that might be minority-owned, woman-owned, or located in an area with lower income and higher unemployment than conventional bank loans. Loans have been used to fund businesses of all types, including those in the service, retail trade, accommodation, food service, construction and manufacturing areas.

Under the Recovery Act, no funds may be used by any state or local government or any private entity, for any casino or gambling establishment, aquarium, zoo, golf course or swimming pool. If your business or project includes one of these purposes, you may still qualify for an SBA guaranteed loan with the traditional fees and guarantee percentages.

To locate a bank, credit union, other lender or Certified Development Company providing SBA-backed loans in your local area, go to SBA's Web site at www.sba.gov. Click on the button for "local resources," for the SBA district office

nearest you, which has a list of SBA lenders in your area. On the Web site, you will also find links to information on how to start a business, government contracting, and counseling and training opportunities provided by local SBA offices and SBA resource partners.

All SBA programs and services are provided to the public on a nondiscriminatory basis.