



SBA's Economic Recovery Efforts and Impact

May 17, 2010

The SBA received \$730 million in the American Recovery and Reinvestment Act (ARRA) to help unlock the small business lending market and get capital flowing again to America's small businesses. Due to the success of these programs, the SBA has received an additional \$305 million to continue some ARRA programs through May.

SBA Recovery Efforts Impact to Date:

- **SBA Has Supported more than \$27 Billion in Recovery Loans to Small Businesses:** As of May 14, SBA has supported more than \$27 billion in small business lending¹ with the approval of \$20.2 billion² in Recovery loans since Feb. 17. From Feb. 17, 2009 to May 14, 2010, weekly SBA loan dollar volumes rose more than 90 percent in the 7(a) and 504 programs, compared to the weekly average before passage³.
- **More Lenders Making Loans:** From Feb. 17, 2009 to May 14, 2010, more than 1,299 lenders who had not made a loan since at least 2007 made a 7(a) loan.
- **Broad Support to Businesses:** A significant share of Recovery loans have gone to rural (24 percent), minority-owned (20 percent), women-owned (18 percent), and veteran-owned (8 percent) businesses⁴.
- **Secondary Markets Uptick with 7(a) Loans:** After months of reduced activity and lower premiums, the SBA 7(a) secondary market is picking up and premiums are beginning to recover. From June to April, the average monthly loan volume settled from lenders to broker-dealers in the 7(a) secondary market has been \$336 million, providing lenders with additional liquidity to increase lending.
- **ARC Loans Helping Small Businesses:** As of May 14, SBA has approved 7,523 ARC loans totaling over \$243 million by 1,248 lenders to help small businesses make it through this tough economy.

SBA Recovery Programs:

To date, SBA has implemented programs for all of the \$730 million in SBA Recovery Act funding and an additional \$305 million provided in December, February, March, and April for the agency's lending programs, including:

- **Eliminating and reducing fees** for borrowers on 7(a) loans and for borrowers and lenders on 504 loans.⁵
- **Raising to 90 percent the guarantee on 7(a) loans** from 75 or 85 percent depending on the size of loan.⁵
- **Doubling the surety bond guarantee** from \$2 million to \$5 million, providing small businesses with another tool to help them compete for federal construction and service contracts.⁵
- **Assisting struggling small businesses with the new ARC loan program**, which provides no-interest, deferred repayment loans of up to \$35,000 to viable businesses to help them make debt payments.⁵
- **Providing refinancing opportunities** for certain eligible loans into SBA-backed 504 loans for expansion and job creation.
- **Expanding access to investment capital** for small businesses by increasing funding levels for SBA-licensed Small Business Investment Companies.
- **Taking steps to ensure the stability** of the secondary market for SBA loans.

The SBA has also implemented two new programs that complement the ARRA measures and increase access to capital for small businesses by:

- **Expanding 7(a) loan eligibility to more than 70,000 small businesses** through a temporary alternate size standard.
- **Offering inventory financing** for eligible auto, RV, boat and other dealerships under the new Dealer Floor Plan Financing pilot program.

¹ Gross value of Recovery loans approved. "Lending supported" includes estimate of 504 third-party first mortgages (calculated as 125% of SBA 504 debenture portion due to the typical "50/40" split between the third-party and SBA portions of a 504 loan). Including non-Recovery 7(a) and 504 loans SBA has supported \$28 billion in lending since Feb. 17, 2009.

² Gross value of Recovery loans approved, excluding estimate of 504 third-party first mortgage value. Including non-Recovery 7(a) and 504 loans SBA has approved \$21 billion since February 17, 2009.

³ Comparison of average weekly gross approvals in the 7 weeks before ARRA signing to average weekly gross approvals since then, normalized for bank holidays and the system disruption caused by a Washington, DC water outage (August 7, 2009)

⁴ Demographic data is self-reported on loan applications; categories are not mutually exclusive.

⁵ Temporary authorization under ARRA.