



News Release

PRESS OFFICE

Release Date: October 8, 2010

Release Number: 10-59

Contact: Mike Stamler (202) 205-6919

Internet Address: <http://www.sba.gov/news>

SBA Implements Higher Maximum Loan Sizes Made Possible by Small Business Jobs Act

WASHINGTON – On the heels of completing final approvals of loans to nearly 2,000 firms that has been in its loan queue waiting for final approval of the Small Business Jobs Act, the U.S. Small Business Administration has finished implementation of another major element of the bill: increasing maximum sizes in several of its loan programs.

The changes – effective today – are permanent for general small business loans under SBA’s 7(a) guaranteed loan program, fixed asset loans through the 504 Certified Development Company program, Microloans, and International Trade, Export Working Capital and Export Express loans. A temporary increase for SBA Express loans is good for one year.

“Across the country, there are small businesses owners who are in a position to take that next step to grow and create jobs, and these larger loan sizes provide another tool to help them do just that,” SBA Administrator Karen Mills said. “Whether they’re in the start-up phase and could use a microloan or are looking to take advantage of lower real estate prices and interest rates to buy a new building to expand, SBA loans can now be an even greater resource to help entrepreneurs and small business owners get the capital they need.

“Additionally, temporarily increasing the cap on SBA Express loans from \$350,000 to \$1 million will allow more small businesses to take advantage of the streamlined approval process for working lines of credit and other capital they need,” Mills said.

Under the Jobs Act provisions, SBA has permanently increased 7(a) and 504 limits from \$2 million to \$5 million, and for manufacturers and certain energy-related projects seeking 504 loans, to \$5.5 million. The maximum for International Trade and Export Working Capital loans also has been increased from \$2 million to \$5 million.

SBA also permanently increased microloan limits from \$35,000 to \$50,000, helping larger entrepreneurs with start-up costs and small business owners in underserved communities. It also raised the limit on Export Express loans, from \$250,000 to \$500,000, and made the program permanent.

-- more --

SBA Release 10-59, page two...

SBA Express loan limits have been temporarily raised from \$350,000 to \$1 million for one year. These loans offer a streamlined application process with reduced paperwork and approval often in a matter of days. Unlike traditional 7(a) loans, SBA Express loans carry a 50 percent guarantee and can be used as revolving lines of credit – to help restock inventories and support larger revenue sales – which are particularly critical for small businesses as they emerge out of the recession.

SBA's own trends show increasing demand for larger loans. The percentage of lending volume for guaranteed loans greater than \$1.5 million has grown, from 13 percent of total dollars approved in fiscal year 2005 to 21 percent in fiscal year 2010, with many loans actually at the \$2 million maximum. In the 504 program, the percentage of loan volume committed to loans greater than \$1.5 million also has grown, from 15 percent of total dollars approved in fiscal year 2005 to 25 percent in fiscal year 2010.

SBA has already put in place the alternate size standard that expands eligibility for SBA-backed loans that was included in the Jobs Act, increasing the alternate size standard to include those small businesses with less than \$15 million in net worth and \$5 million in average net income.

Additionally, Administrator Mills announced on Tuesday that all loan applications placed in the SBA's loan queue by small business borrowers had received final approval, amounting to 1,939 loans for nearly \$970 million. The loans were able to make use of loan guarantees up to 90 percent and reduced fees extended under the Jobs Act. Many of the loans had been in the queue waiting for the extension since May.

The bill provided the agency with enough funding to support an estimated \$14 billion in lending to small businesses with the extension of higher guarantees and reduced fees in the top two loan programs, first implemented as part of the American Recovery and Reinvestment Act of 2009.

The Jobs Act also includes additional resources to help increase lending to small businesses, including the State Small Business Credit Initiative announced today by the Department of Treasury that will support \$15 billion in lending through local programs and the Small Business Lending Fund, which will provide capital to local, community banks to increase their lending to small businesses.

Additionally, the new law contains \$12 billion in tax credits targeted to small businesses, including higher deductions for investing in new machines and equipment, zero capital gains for those who buy and hold small business stocks for five years, and a doubling of the maximum deduction for startups to \$10,000. It also allows self-employed Americans to completely deduct health insurance costs for themselves and their families.

###