

**U.S. SMALL BUSINESS ADMINISTRATION  
RECOVERY ACT AGENCY PLAN**

**MAY 15, 2009**



## I. SBA AND SMALL BUSINESSES CAN DRIVE ECONOMIC RECOVERY

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### Small Businesses and the Credit Crisis

Small businesses are the heart of the American economy, employing half of our country's workers and creating most new jobs every year. The Administration is taking significant steps to help small business owners and entrepreneurs recover, start, build and grow.

The Recovery Act contains tax breaks, market enhancements, and strong lending programs, which help foster job creation, re-start lending, and investment in the American Dream. The U.S. Small Business Administration will work closely with small businesses, entrepreneurs and other partners to help drive our nation's economic recovery.

### SBA Recovery Goals for Small Businesses

In order to address the challenges facing small businesses in this economy, the SBA is working to:

1. **Restore Access to Capital for Small Businesses** by increasing lending across SBA guaranteed loan programs and unsticking the secondary market.
2. **Address Immediate Problems** by expanding access to microloans and helping viable businesses bridge difficult periods through America's Recovery Capital (ARC) stabilization loans.
3. **Maximize Small Business Recovery Opportunities** through expanded surety bond guarantees and contracting opportunities for small businesses.

SBA staff are driving these goals, with a renewed focus on customer service, efficiency, transparency, accountability and measurable results.

### SBA Recovery Act Funding

The Recovery Act provided \$730 million to SBA for the following purposes:

<b>Program Purpose</b>	<b>Funds (\$ Million)</b>
Fee Reductions in 7(a) and 504 lending programs	\$299
Increased guarantees in 7(a) lending program	\$76
Microloan Lending to Intermediaries	\$6
Microloan Technical Assistance	\$24
Business Stabilization (ARC) Loans	\$255
Surety Bond Guarantee Revolving Fund	\$15
Improving Technology	\$20
Administrative Expenses	\$25
Inspector General	\$10
Secondary Market Lending Authority	\$0
Secondary Market Guarantee Authority	\$0
<b>TOTAL</b>	<b>\$730</b>

## II. SBA RECOVERY ACT GOALS

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SBA's Recovery Act goals and strategies are outlined below. To report progress on the attainment of agency-wide targets, information contained in program performance reports will be updated periodically and published on SBA's Recovery web site <http://www.sba.gov/recovery>. Senior leaders across the Agency are engaged in supporting and driving these Recovery Act goals.

### 1. RESTORING ACCESS TO CAPITAL FOR SMALL BUSINESSES:

SBA aims to increase lending volume across its 7(a) and 504 programs. SBA will adapt and expand its financing programs – making them more attractive to borrowers and lenders – to help encourage extending credit to small businesses. SBA will develop programs and partnerships to help unlock secondary markets for its loan products in order to address liquidity issues that can prevent lenders from providing capital.

#### A. Adapt Programs to Help Small Businesses Access Affordable Capital

The Recovery Act includes changes to SBA's 7(a) and 504 programs that allow for reducing fees, increasing guarantee limits, and providing refinancing opportunities. In addition, SBA will help facilitate increased access to capital by making its programs available to more small businesses through expanding eligibility criteria, developing relationships with new lenders and working to return inactive lenders to SBA's lending network.

#### B. Unlock Secondary Markets to Provide Liquidity

Secondary markets for SBA loans have declined with disruptions across financial markets. Unlocking currently troubled SBA secondary markets will help restore healthy flows of capital to small businesses by providing lenders with much needed liquidity. In order to address the current strains on these markets and restore confidence in them, SBA will create two new programs, one to provide loans to 7(a) market broker-dealers to support their continued purchase of SBA loan products and another to provide guarantees to pools of 504 first mortgage loans. At the same time, SBA will leverage partnerships with the Treasury Department to help ensure that SBA products are included in broader market solution programs like the Troubled Asset Relief Program (TARP) and the Term Asset-backed Securities Lending Facility (TALF).

### 2. ADDRESS IMMEDIATE PROBLEMS BY EXPANDING MICROLENDING AND LAUNCH ARC PROGRAM

Small businesses across the country are affected in different ways by economic disruptions; some populations are more at risk than others. SBA loans are more likely to reach underserved markets than conventional bank loans. In the current economy, these communities and the smallest businesses are at the greatest risk. SBA aims to support its smallest local main street businesses and to provide immediate relief to viable businesses facing immediate financial hardship through targeted assistance.

#### A. Reinvigorate Small Local Entrepreneurship

SBA's Microloan program provides smaller loans through community intermediaries that combine financial and technical assistance, giving new businesses a better chance of success. SBA will re-invigorate local entrepreneurship by expanding the reach and impact of its Microloan program with funds provided in the Recovery Act.

**B. Address Immediate Financial Hardship**

Some businesses have seen contract payments and other orders placed on hold as a result of economic disruptions. These businesses face specific challenges and need focused SBA assistance. SBA will implement a new Recovery Capital program, the ARC loan program, to assist businesses facing immediate hardship.

**3. MAXIMIZE SMALL BUSINESS RECOVERY OPPORTUNITIES THROUGH EXPANDED SURETY BOND GUARANTEES AND CONTRACTING OPPORTUNITIES FOR SMALL BUSINESSES**

The Federal Government purchases more than \$425 billion in goods and services each year. The Recovery Act provides additional billions of dollars for projects that will ultimately be performed by contractors at the federal, state and local levels. Federal government has a goal that at least 23% of all buying is from small businesses. SBA's programs help ensure small businesses have the tools they need to compete for and perform these contract engagements. SBA will expand its Surety Bond Guarantee program to help small businesses that cannot obtain conventional surety bonds to guarantee their performance. In addition, SBA's Office of Government Contracting and Business Development will leverage its network of Procurement Center Representatives and Offices of Small and Disadvantaged Businesses across the government to help small businesses compete for Recovery Act projects.

**A. Expand SBA Surety Bond Guarantee Program**

Surety Bonds provide insurance that contract work will be performed for the issuers of contracts. Payment and performance bonds are required for general contractors on all Federal government construction projects above \$100,000. The Recovery Act gave SBA the opportunity to temporarily increase the contract ceiling in place for its Guaranteed Surety Bond program to help small businesses compete for contracts up to \$5 million – and in some cases \$10 million.

**B. Facilitate Small Business Contract Opportunities**

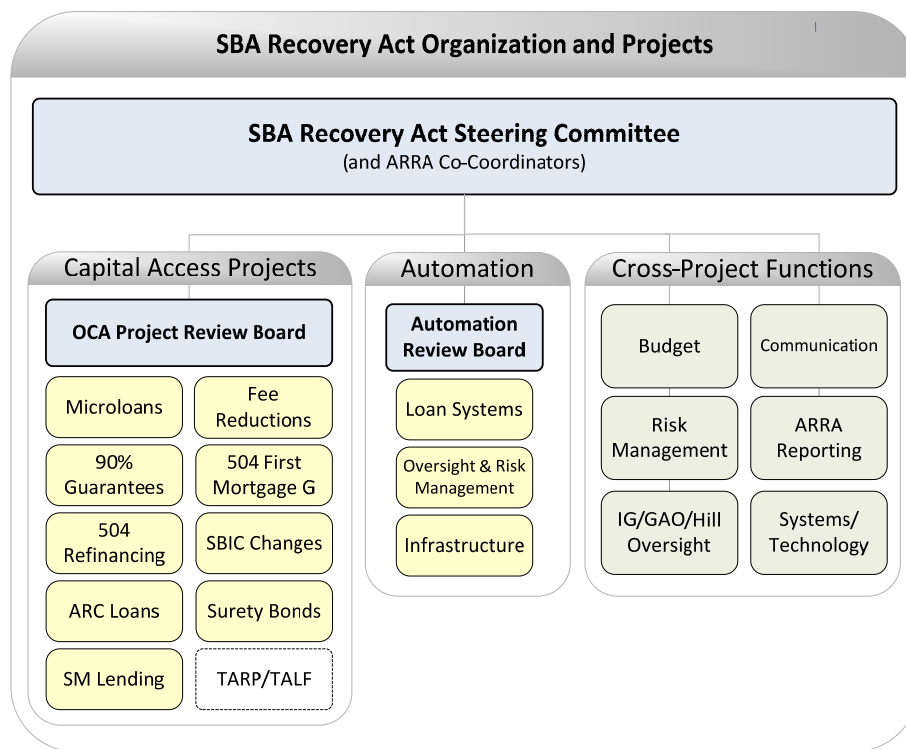
SBA is helping small businesses recover and find new opportunities to succeed by working to facilitate Recovery Act contracting opportunities for small businesses – particularly minority, disadvantaged and veteran-owned businesses. SBA will collaborate with the Office of Federal Procurement Policy, Senior Procurement Executives and Small Business Directors to ensure that small businesses get maximum contracting opportunities, including sole-source opportunities where appropriate. SBA will leverage its field staff to inform small businesses of opportunities at all the state and local levels for Recovery Act funded contracts.

SBA has aligned its Recovery Act programs and funding to support these three aggressive goals. Taken together the objectives, strategies and targets outlined above and contained in the Agency's Recovery Act project/program plans will help small businesses lead recovery efforts through the creation of jobs. To support and facilitate these goals, SBA will work with its resource partner network and field offices to provide small businesses with counseling and training they need to survive and succeed in the current environment.

### III. SBA RECOVERY ACT MANAGEMENT FRAMEWORK

Management team members across the SBA are leading collaborative, transparent and results-driven teams to implement Recovery Act projects. The SBA’s Recovery Act Steering Committee ensures that efforts to help small businesses are integrated across the agency’s programs and administrative support functions. Implementation teams have been organized for each SBA Recovery Act program. Led by a senior manager, these teams report directly to the Steering Committee and the SBA Administrator. The Agency also formed teams specifically targeted at the Recovery Act’s technology improvement projects to ensure that these projects enhance the SBA’s effectiveness and efficiency in serving small businesses and lenders.

**Diagram 1: SBA Recovery Act Projects**



#### Recovery Act Project Management Framework

As the Recovery Act was developed and enacted, Agency leadership worked to identify appropriate Team Leaders to implement each SBA program. These leaders formed teams that included necessary staff with skills needed to implement policy decisions and develop necessary materials. These teams include members from SBA’s performance management, field, legal, procurement, information technology and risk management offices.

Each Recovery Act team prepared plans, budgets, and a list of key decisions needed to move forward. The SBA Recovery Act Steering Committee reviews project and milestone status reports to ensure that program offices are accountable for meeting project goals.

Most of SBA's Recovery Act programs are effective through September 30th, 2010, or until funds are expended. SBA staff are monitoring use of Recovery Act funds to ensure that programs and projects are prepared to close responsibly and efficiently at the appropriate time.

### **Managing Outcomes and Performance**

The Agency will assess Recovery Act project performance at both the program and agency-wide levels. Senior leaders will monitor financial, operational and risk metrics to help the Agency articulate progress, manage funding, and further refine programs and policies.

SBA's Performance Management Office creates a weekly Performance Management Dashboard and a monthly Performance Overview to summarize progress and performance in each area. SBA's Recovery Act Steering Committee receives these reports and uses them to identify performance issues. Some of the information contained on the Dashboard and in the Performance Overview Report will be shared with the public on the Agency's Recovery website.

These reporting tools enable the Agency to identify issues and improve programs and policies to ensure that SBA's Recovery Act funding will help small businesses succeed. More information on program-specific metrics is included in each SBA Recovery Act Program Plan, which will be posted on the Agency's Recovery website.

### **Managing Risk**

SBA's Office of Risk Management is leading a process to help the Agency develop a comprehensive risk management plan to ensure that significant risks to the Agency that might arise through Recovery Act projects are systematically and effectively identified, evaluated, and mitigated. SBA's Recovery Act Risk Management framework helps identify and monitor program and project risks while leveraging strategies that drive continued improvement of quality oversight and control processes.

### **Communicating With Stakeholders**

SBA's Recovery Act programs will be most successful if they are widely understood by small businesses; SBA lending partners; SBA training, counseling and resource partners; Agency employees; Congress; and the general public. The Agency's Communications, Media, Marketing and Public Liaison Offices provide program announcements and weekly updates to ensure the Agency is transparent about its Recovery Act programs, communicating clearly to key constituencies and supporting the marketing and communications efforts of SBA's field staff.

### **Continuous Improvement**

SBA is working diligently to implement Recovery Act programs across the Agency. SBA continues to monitor and manage each project it is undertaking as part of the Recovery Act. Throughout Recovery Act programs, the Agency will monitor, measure and report progress and outcomes. As funds begin to wind down, the Agency is committed to leading a smooth and effective close out plan for each temporary project. The Agency will use success indicator information to adjust and improve programs if necessary. At the same time, the Agency continues to monitor and manage the risks posed to the Agency through these activities. As new programs become available to the public, SBA will communicate these changes to its internal and external stakeholders.

## APPENDIX A: SAMPLE PERFORMANCE MANAGEMENT DASHBOARD

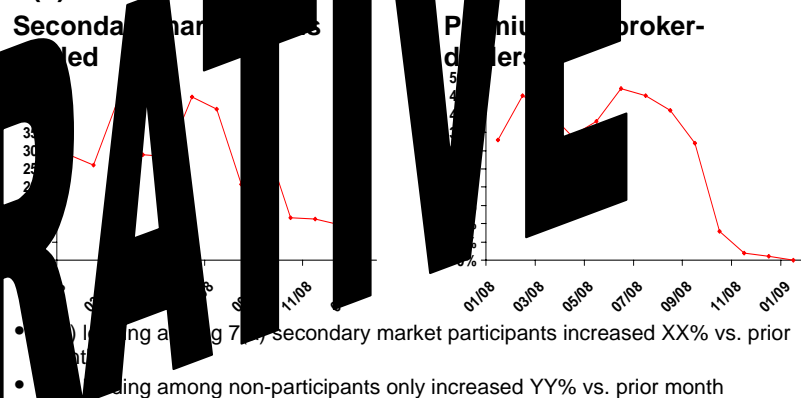
### Loans Approved and Jobs Created or

	\$ (Thousand) of Loans for week of:				Number of loans for week of:				Jobs created or retained for week of:			
	2/23/2009	3/2/2009	3/9/2009	3/16/2009	2/23/2009	3/2/2009	3/9/2009	3/16/2009	2/23/2009	3/2/2009	3/9/2009	3/16/2009
7(a) Program	196,401	116,579	100,712	133,351	764	623	605	743	0	0	0	0
504 Program	45,992	49,932	50,038	19,433	86	81	95	24	0	0	0	0
Microloans									0	0	0	0
ARC Loans	-	-	-	-	-	-	-	-	0	0	0	0

### Recovery Program

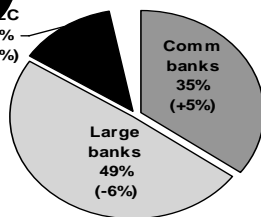
	Funding Allotted (\$M), 2/17/09-12/30/2010	% of Funding Committed
7(a) Fee Reductions/90% Guarantees	299	
504 Fee Reductions	76	
ARC Loans	255	
Microloan Program	6	
Microloan TA	24	
Admin and Lender Assistance	45	
TARP	5,000	

### 7(a) Secondary



### Lender

	% of loans approved
Total lenders	4
"Lost" lenders*	13% (+1%)
New lenders, #	
\$ of loans approved by new lenders	
# of loans approved by new lenders	



### Borrower

Week of 3/16/2009, by type of

	7(a) Program			504 Program		
	\$ of loans \$M	Loans #	% of total \$ volume	\$ of loans \$M	Loans #	% of total \$ volume
Minority-owned	25,232	130	25%	13,061	27	26%
Women-owned	23,948	150	24%	8,915	20	18%
Rural	23,741	120	24%	6,380	18	13%
Veterans	9,198	54	9%	3,998	9	8%
<b>Total</b>	<b>100,712</b>	<b>605</b>	<b>100%</b>	<b>50,038</b>	<b>95</b>	<b>100%</b>

- Average credit score of new 7(a) borrowers XX; in 504, average is YY, while average ARC borrower credit score is ZZ