



# 2009 RECOVERY ACT



## HELPING SMALL BUSINESS START, GROW AND SUCCEED

### Recovery Act Overview

The American Recovery and Reinvestment Act is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and ensure our nation can meet the challenges of the 21st century. The Recovery Act assigns a key role in this effort to the U.S. Small Business Administration, providing it with program tools that offer new economic incentives to small businesses and lenders alike, all aimed at growing our economy through job creation, re-starting lending, and investing in small businesses and the entrepreneurial spirit of Americans.

The Recovery Act takes a comprehensive approach to several problems facing small business today. The Act:

- Provides entrepreneurs and lenders financial relief from the current economic crisis that will help encourage borrowing and lending to all small businesses, including start-ups
- Offers businesses access to the capital and the tools they need to drive economic recovery and to create and retain jobs
- Helps unlock credit markets for small businesses
- Temporarily eliminates some loan fees for borrowers and lenders

The bill is divided into nine key components, including:

- Temporary Elimination of Loan Fees
- Temporary 90 Percent Guarantees
- Secondary Market Liquidity for Section 7(a) loans, SBA's largest loan guarantee program, which serves a wide variety of small business borrowing needs
- America's Recovery Capital (ARC) Stabilization Loans
- Expanded Microloans
- Surety Bond Program Expansion
- Secondary Market for First Mortgages associated with Section 504 Certified Development Company loans, which support small business capital-asset and real-property investments
- Expanded Refinancing Project for Section 504 loans
- SBIC Program Expansion

SBA is working to implement these elements with the goal of having the broadest impact on small businesses as rapidly and effectively as possible.

## UNDERSTANDING THE SBA PROGRAMS IN THE RECOVERY ACT

- For small businesses, the Recovery Act temporarily eliminates SBA guaranteed 7(a) and 504 loan fees and offers tax benefits. For lenders, it temporarily eliminates loan fees on Section 504 loans. The fee eliminations are retroactive to February 17, 2009, the day the Recovery Act was signed. The Act also provides guarantees up to 90 percent on some types of 7(a) loans to qualified small businesses. The temporary loan fee eliminations and 90 percent guarantee provisions will apply to 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 calendar year 2009.
- SBA is developing a loan program created by the Recovery Act to temporarily assist broker-dealers who buy guaranteed 7(a) loans, which will help restore the secondary market for 7(a) loans. In addition, the Treasury will commit up to \$15 billion in TARP funds to further help unfreeze the small business lending market by purchasing pooled 7(a) loan guarantees and 504 first mortgages. These actions will benefit community banks, credit unions and other small lenders.
- America's Recovery Capital (ARC) loan program will offer deferred-payment loans of up to \$35,000 backed 100 percent by SBA to viable small businesses that need help making payments on an existing, qualifying loan for up to six months. This new program is intended to give small businesses some temporary financial relief to keep their doors open and get their cash flow back on track so they can maintain existing jobs and ultimately create new jobs. Repayment does not begin until 12 months after the loan is fully disbursed. (ARC loans cannot be made to cover payments on an existing loan that was guaranteed by SBA before February 17, 2009, the day the bill was signed into law).
- Expanding SBA's microloan program provides extra funding for SBA-backed microlenders across the country. The bill provides enough for \$50 million in new SBA microloans, which are delivered by non-profit community-based intermediary lenders across the country. These loans can be for up to \$35,000 and come with technical assistance and training for every borrower.
- Expanding Surety Bond Program limits will help small businesses compete for the billions of dollars in contracts that are needed to implement the Recovery Act. By raising the maximum amount for contracts that qualify for SBA surety bonds to \$5 million, and up to \$10 million for certain contracts, more small businesses will be able to help drive economic recovery.
- A new program to guarantee Section 504 program first mortgages will provide fresh liquidity to the 504 first mortgage market. Through this program SBA will establish a process for private sector entities to apply for federal guarantees on pools of first lien position Section 504 loans.
- A new Section 504 refinancing program will help expand existing long term projects by working with Certified Development Companies to restructure and refinance certain existing loans into SBA-backed 504 loans.
- The Recovery Act also enables SBA to expand its Small Business Investment Company (SBIC) debenture program to assist this source of venture capital. The SBIC office is working on the necessary regulations and notices for licensees alerting them that they may be eligible for additional SBA financial assistance and, also, that they will be required to invest 25 percent of their financing dollars in "smaller" enterprises.

For more information about the programs offered by the SBA under the Recovery Act, visit the SBA Web page at [www.sba.gov](http://www.sba.gov), contact the SBA Answer Desk at **1-800-U-ASK-SBA**, or contact your local SBA District Office. For more information about the provisions of the broader Recovery Act, visit [www.recovery.gov](http://www.recovery.gov).