



2009 RECOVERY ACT



## American Recovery and Reinvestment Act “Recovery Act”



2009 RECOVERY ACT



### What is it?

A plan to grow our economy by:

- Jump-starting job creation
- Re-starting lending
- Investing in small business



2009 RECOVERY ACT



## **Attacks Several Problems Small Businesses Face:**

- Provides financial relief to entrepreneurs and lenders
- Provides capital and tools for small businesses
- Helps unlock credit markets for small businesses
- Temporarily eliminates fees on SBA-guaranteed loans



2009 RECOVERY ACT



## **Bill Divided Into 9 Components:**

- Temporary Elimination of Loan Fees
- 90 Percent Guarantees
- 7(a) Secondary Market Liquidity
- ARC Stabilization Loans
- Expanded Microloans



## **Bill Divided Into 9 Components:**

- Surety Bond Program Expansion
- Secondary Market for 504 First Mortgages
- Expanded 504 Refinancing Project
- SBIC Program Expansion



## **Fee Elimination & 90 Percent Guarantees**

- Temporary lender and borrower fee elimination
- Increasing guarantees on some 7(a) loans up to 90 percent



## **7(a) Secondary Market Liquidity**

- SBA will assist broker-dealers purchasing SBA-guaranteed loans from lenders
- Brokers borrow funds from SBA to buy 7(a) loans from SBA lenders
- Brokers will pool 7(a) loans for sale to investors in secondary loan market



## **America's Recovery Capital Stabilization Loans (ARC)**

- Designed for viable small businesses that need help making payments on existing, qualifying loans for up to six months
- Maximum loan \$35,000
- 100 percent guarantee by SBA



## **America's Recovery Capital Stabilization Loans (ARC)**

- Deferred payments – repayment begins 12 months after final disbursement
- CANNOT cover payments on existing SBA loans approved before February 17, 2009



## **Expanded Microloans**

- Extra funding for SBA-backed microlenders
- Enough for \$50 million in new SBA microloans
- Loans up to \$35,000
- Technical assistance, training for every borrower
- Entrepreneurs can apply immediately



## **Surety Bond Program Expansion**

- Raises maximum contract amount covered by SBA surety bond guaranty from \$2 million to \$5 million
- Expands up to \$10 million under certain contracts
- Helps small businesses better compete for contracts



## **Secondary Market for 504 First Mortgages**

- New process to bring fresh liquidity to the 504 first-mortgage market
- SBA will establish a process for private-sector entities to apply for federal guarantees on pools of first-lien position 504 loans



## **Expanded 504 Refinancing Project**

- SBA works with CDCs to restructure, refinance certain existing long-term projects in conjunction with expansion
- Loans eligible for refinance must have originally financed long-term fixed assets



## **SBIC Program Expansion**

- Helps SBICs better leverage capital to invest in small businesses
- Maximum SBA funding levels are lesser of up to three times the private capital raised or \$150 million
- SBIC can now invest 10 percent of total capital in a single small business
- Requires licensee dollar investment of 25 percent in “smaller” businesses



2009 RECOVERY ACT



## **Important Note**

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