

Stimulus Bill Contains Assistance for Small Business

Bill Contains a Package to Aid the Nation's Small Business Sector

The American Recovery and Reinvestment Act (Recovery Act) contains a package of loan fee reductions, higher guarantees, new Small Business Administration (SBA) programs, secondary market incentives, and enhancements to current SBA programs that will help unlock credit markets and begin economic recovery for the nation's small business sector.

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help.

"The tax incentives and credit stimulus elements of the Recovery Act will truly help small business owners affected by the credit crunch, and will provide financing opportunities to help them create new jobs in their communities," said Acting SBA Administrator Darryl K. Hairston.

Overview of the Recovery Act

The Recovery Act was signed into law by President Barack Obama on February 17, 2009. It is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century.

The Act is an extraordinary response to a crisis unlike any since the Great Depression, and includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

Frequently Asked Questions For Small Business Owners

Small businesses can read a series of Frequently Asked Questions (FAQs) at this hyperlink: http://sba.gov/idc/groups/public/documents/sba_homepage/recovery_act_faqs.pdf

Implementing the Recovery Act

The Recovery Act will have a significant impact on small businesses and on the credit crunch, providing tax incentives and financing opportunities that will help them create jobs.

The Act makes SBA part of the solution, providing it with specific tools to make it easier and less expensive for small businesses to get loans, give lenders new incentives to make more small business loans, and help unfreeze the secondary markets to boost liquidity in the credit markets.

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help. The funding includes:

- \$375 million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed shares, up to 90 percent for certain loans

- \$255 million for a new loan program to help small businesses meet existing debt payments
- \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders
- \$20 million for technology systems to streamline SBA's lending and oversight processes
- \$15 million for expanding SBA's Surety Bond Guarantee program
- \$25 million for staffing up to meet demands for new programs
- \$10 million for the Office of Inspector General

Fees Temporarily Eliminated; Guarantees Raised

On March 16th, the Acting SBA Administrator issued a statement that followed President Obama's announcement concerning the important steps taken by the SBA and the Department of Treasury to address the challenges facing small businesses across the country. Two key provisions of the Recovery Act were laid out in the statement. The SBA is temporarily eliminating certain loan fees and is raising guarantees on some 7(a) loans. Fees for both borrowers and lenders on the SBA 504 loans have been temporarily eliminated, too. President Obama also announced that the Treasury Department will commit up to \$15 billion to help unlock frozen credit markets by purchasing small business loan securities that are currently frozen on the secondary market.

The statement from the SBA's Acting Administrator can be viewed at: (2nd hyperlink here): http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_release_09-17.pdf