



## SBA's Economic Recovery Efforts and Impact

November 9, 2009

The SBA received \$730 million in the American Recovery and Reinvestment Act (Recovery Act) to help unlock the small business lending market and get capital flowing again to America's small businesses.

### SBA Recovery Efforts Impact to Date:

- **Loan Volume Has Increased 77 Percent:** As of November 6, SBA has supported \$14.3 billion in small business lending<sup>1</sup> with the approval of \$10.5 billion<sup>2</sup> in loans since Feb. 17. Since the signing of ARRA, weekly loan dollar volume has risen 77 percent in the 7(a) and 504 programs, compared to the weekly average before passage<sup>3</sup>.
- **More Lenders Making Loans:** From Feb. 17 to September 30, more than 1,260 lenders that had not made a loan since Oct. 2008 made 7(a) or ARC loans. As of October 30, there were over 840 lenders who had not made a loan since at least 2007.
- **Broad Support to Small Businesses:** A significant share of loans supported by Recovery Act funding has gone to rural (27 percent), minority-owned (20 percent), women-owned (19 percent), and veteran-owned (9 percent) businesses<sup>4</sup>.
- **Secondary Markets Uptick with 7(a) Loans:** After months of reduced activity and lower premiums, the SBA 7(a) secondary market is picking up and premiums are beginning to recover. From May to October, the average monthly loan volume settled from lenders to broker-dealers in the 7(a) secondary market has been \$344 million, providing lenders with additional liquidity to increase lending.
- **ARC Loans Reaching Small Businesses:** As of November 6, SBA has approved nearly 3,900 ARC loans totaling \$126 million.

### SBA Recovery Programs:

To date, SBA has implemented programs for nearly all of the \$730 million in SBA Recovery Act funding, including:

- **Eliminating and reducing fees** for borrowers on 7(a) loans and for borrowers and lenders on 504 loans.<sup>5</sup>
- **Raising to 90 percent the guarantee on 7(a) loans** from 75 percent and 85 percent depending on the size of loan.<sup>5</sup>
- **Doubling the surety bond guarantee** from \$2 million to \$5 million, providing small businesses with another tool to help them compete for federal construction and service contracts.<sup>5</sup>
- **Assisting struggling small businesses with the new ARC loan program**, which provides no-interest, deferred repayment loans of up to \$35,000 to viable businesses to help them make debt payments.<sup>5</sup>
- **Providing refinancing opportunities** for certain eligible loans into SBA-backed 504 loans for expansion and job creation.
- **Expanding access to investment capital** for small businesses by increasing funding levels for SBA-licensed Small Business Investment Companies.

The SBA has also implemented two new programs that complement the Recovery Act measures and increase access to capital for small businesses by:

- **Expanding 7(a) loan eligibility to more than 70,000 small businesses** through a temporary alternate size standard.
- **Offering inventory financing** for eligible auto, RV, boat and other dealerships under the new Dealer Floor Plan Financing pilot program.

<sup>1</sup> Gross loan approval value. Typically, due to cancellations and loan amount reductions, 15–20% of gross approvals are not disbursed.

<sup>2</sup> Includes estimate of 504 third-party first mortgages (calculated as 125% of SBA 504 debenture portion due to the typical "50/40" split between the third-party and SBA portions of a 504 loan)

<sup>3</sup> Comparison of average weekly gross approvals in the 7 weeks before ARRA signing to average weekly gross approvals since then, normalized for market holidays and the system disruption caused by a Washington, DC water outage (August 7, 2009)

<sup>4</sup> Demographic data is self-reported on loan applications; categories are not mutually exclusive.

<sup>5</sup> Temporary authorization under the Recovery Act.