



2009 RECOVERY ACT



American Recovery and Reinvestment Act “Recovery Act”

Federal Stimulus Funding Workshop

Thursday, June 25, 2009

AFI Silver Theatre and Cultural Center



What is it?

A plan to grow our economy by:

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



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 some SBA-guaranteed loans



Bill Divided Into 9 Components:

- Temporary Elimination of Loan Fees
- Temporary 90 Percent Guarantees
- Secondary Market Liquidity for Section 7(a) loans
- ARC Loan Program
- Expanded Microloans



Bill Divided Into 9 Components:

- Surety Bond Program Expansion
- Secondary Market for First Mortgages associated with Section 504 Certified Development Company loans
- Expanded Refinancing Project for Section 504 loans
- SBIC Program Expansion



Temporary Fee Eliminations

- Temporary fee eliminations for borrowers on 7(a) loans and for both borrowers and lenders on Section 504 loans
- The fee eliminations are retroactive to Feb. 17, 2009, the day the Recovery Act was signed



Temporary 90 Percent Guarantees

- Guarantees to up to 90 percent on most types of 7(a) loans to qualified small businesses



TARP (Secondary Market):

- Up to \$15 billion in TARP funds to unfreeze the small business lending market
- Treasury will purchase existing and new SBA-backed loans made by community banks, credit unions and other small lenders
- Guaranteed portion of most 7(a) loans [(50-75-85-90% guarantees)] and 504 first mortgage loans (not guaranteed) are eligible



7(a) Secondary Market Liquidity

- SBA will assist broker-dealers purchasing SBA-guaranteed 7(a) loans from lenders
- This program will help restore the secondary market for 7(a) loans



America's Recovery Capital (ARC) Loan Program

- 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 (ARC) Loan Program

- Deferred payments – repayment begins 12 months after final disbursement
- CANNOT cover payments on existing SBA loans approved before Feb. 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 guarantee from \$2 million to \$5 million
- Expands up to \$10 million under certain contracts
- Helps small businesses better compete for contracts



Secondary Market for First Mortgages **Associated with Section 504 CDC** **Loans**

- 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 Refinancing Project **for Section 504 Loans**

- 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



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



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**For more information on the 2009
Recovery Act please contact your local
SBA District Office or visit the SBA
Recovery Act web site**

www.sba.gov/dc

www.sba.gov/recovery/index.html