

News Release

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Extension of SBA Recovery Lending Programs Will Support \$1.8 Billion in Small Business Lending

Agency plans to restart Recovery loan approvals on March 10

WASHINGTON – President Barack Obama signed legislation Tuesday extending until March 28 the U.S. Small Business Administration’s ability to provide small business loans that are enhanced with special provisions of the American Recovery and Reinvestment Act (ARRA), including a higher guarantee of SBA-backed loans and a waiver of loan fees normally paid by borrowers.

SBA estimates the additional funding will support about \$1.8 billion in small business lending.

New approvals of eligible loans with the higher guarantee and reduced fees made possible by the Recovery Act are expected to resume on March 10. Loan applications from borrowers in SBA’s Recovery Loan Queue will be funded first, followed by new loan applications.

“These key loan programs have been successful in helping jump-start the economic recovery for America’s small businesses,” said SBA Administrator Karen Mills. “The increased guarantee and reduced fees on SBA loans helped put almost \$22 billion into the hands of small business owners and brought more than 1,100 lenders back to SBA loan programs. As a result, average weekly loan approvals by SBA have climbed by 87 percent compared to the weekly average before passage of the Recovery Act.

“We will continue working with the President and with Congress to move forward with proposals for a longer extension for these important program enhancements, as well as higher loan limits, refinancing for commercial property loans and other significant ongoing support for small businesses. Small businesses need the changes the President has called for to ensure that they have the tools they need to drive economic growth and create jobs in communities all across the country.”

As part of the Recovery Act, SBA received \$730 million, which included \$375 million to increase the SBA guarantee on 7(a) loans to 90 percent and to waive borrower fees on most 7(a) and 504 loans. The funds for these programs were exhausted on Nov. 23, and an additional \$125 million was provided in December. Those funds were exhausted in late February.

SBA has implemented the Recovery Loan Queue twice before as part of its temporary transitions back to pre-Recovery Act lending. Eligible small businesses, in consultation with their lender, could choose to be placed in the queue for possible approval of a Recovery Act loan if funding became available from loans canceled for a variety of reasons. Currently there are 652 loan requests totaling \$230 million in the Recovery Loan Queue.

The extension signed by President Obama authorizes the higher guarantee levels through March 28, 2010, for 7(a) loans. The fee relief is available until the additional funding is exhausted or the end of the fiscal year on Sept. 30, whichever comes first. As was the case in November and again in February, SBA is prepared to transition into a queue system as the funds start to wind down in order to ensure the maximum simulative effect of the programs and disbursement of funds.

For non-Recovery Act 7(a) or 504 loans already funded during the transition period, this extension does not provide a retroactive guarantee or waived fees. Loans that were funded under non-Recovery Act terms cannot be canceled and resubmitted to take advantage of the Recovery Act extension provisions.

This extension does not affect other SBA Recovery Act programs, including the America's Recovery Capital (ARC) loan program or the agency's microloans. Recovery Act funding still remains available for both of those programs.

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