

# **Economic Recovery for America's Small Businesses**

## **Talking Points**

### **March 16, 2009**

#### **PRESIDENT OBAMA'S MARCH 16<sup>TH</sup> ANNOUNCEMENT**

##### ***IMPORTANCE OF SMALL BUSINESS ON THE ECONOMY***

- Across this country, the economic crisis has created a dire situation for our nation's small business owners and entrepreneurs – the very people who employ about half of our workers and have created about 70 percent of our jobs over the past decade.
- Access to credit and lending markets has dried up, making it increasingly harder for small businesses to keep their doors open and their employees working. We can't let this continue...not to one of the strongest engines for economic prosperity in the world, the American small business.
- Our nation's economic recovery will be driven in large part by America's small businesses and entrepreneurs, and SBA will be the critical partner they need in the midst of this crisis.

##### ***PRESIDENT OBAMA'S ANNOUNCEMENT (\$15 Billion)***

- Immediate action must be taken to help America's small businesses recover, start, build or grow.
- On Monday, March 16, President Obama announced that the US Treasury Department will commit up to \$15 billion to get the small business lending market flowing again.
  - These dollars will be focused primarily on community banks, credit unions and other small lenders – the local partners for so many of our Main Street businesses, small manufacturers, high-tech startups and others in the cities and towns across this country.
  - Treasury's effort, designed with significant input from SBA, will unlock the small business loan market by purchasing existing and new loans made by banks, freeing up more capital so these banks can restart lending to local small businesses.

**PRESIDENT OBAMA'S ANNOUNCEMENT**  
***(Temporary fee eliminations & Temporary 90 Percent guarantees)***

- The President also announced on Monday the implementation by SBA of two key provisions of the Recovery Act – the temporary elimination of loan fees and the temporary increase of SBA loan guarantee levels.
- Both steps will provide incentives for lenders to begin lending again for small businesses, as well as provide much-needed capital for small business owners, without the added costs of fees.
  - Borrow loan fees for 7(a) loans are temporarily eliminated through calendar year 2009, or until the funds are exhausted.
  - Borrowers and lender loan fees on 504 loans are temporarily eliminated through calendar year 2009, or until the funds are exhausted.
  - The fee eliminations are retroactive to February 17, the day the Recovery Act was signed. SBA is developing a mechanism for refunding fees paid on loans since then.
  - Guarantees up to 90 percent on some types of 7(a) loans are offered to qualified small businesses, effective through calendar year 2009, or until the funds are exhausted.

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**FURTHER INFORMATION ON THE RECOVERY ACT**

- The American Recovery and Reinvestment Act – known generally as the Recovery Act – is a nationwide effort to create jobs and transform our economy to compete in the 21st century.
- The Recovery Act is a plan to grow our economy by jumpstarting job creation, re-starting lending, and investing in small businesses. It assigns a key role to SBA, with program tools that offer new economic incentives to small businesses and lenders alike.
- The Recovery Act is a comprehensive package of tax breaks, financial assistance and market enhancements designed to help foster entrepreneurship and job creation.

## **TAX INCENTIVES**

- First, there are a number of tax incentives to help new and existing entrepreneurs.
- It offers investment tax credits in the form of generous bonus depreciation terms and extends section 179 expensing through 2009.
- It allows small businesses – not large businesses – to carry back net operating losses to offset earnings from three to five years ago.
- It lowers estimated tax payments for individuals with adjusted gross incomes under \$500,000, if at least half is derived from a small business.
- There are tax credits for hiring disadvantaged people, including unemployed veterans.
- There's a partial exclusion on gains made when small business owners sell original stock in their business.
- You need a tax professional for these.

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## **RECOVERY ACT KEY AREAS**

- The Recovery Act takes a comprehensive approach to several problems facing small business today. The Act:
  - Provides entrepreneurs and lenders financial relief from the current economic crisis that will help encourage borrowing and lending to all small businesses including start-ups
  - Offers businesses access to the capital and the tools they need to drive economic recovery and to create and retain jobs
  - Helps unlock credit markets for small businesses
  - Temporarily eliminates loan fees on some SBA guaranteed loans

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## **NINE COMPONENTS OF BILL**

- Temporary Elimination of Loan Fees
- Temporary 90 Percent Guarantees
- 7(a) Secondary Market Liquidity
- ARC Stabilization Loans
- Expanded Microloans
- Surety Bond Program Expansion
- Secondary Market for 504 First Mortgages
- Expanded 504 Refinancing Project
- SBIC Program Expansion

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

- The Recovery Act also includes programs to reinvigorate the secondary markets for small business loans.
- One authorizes SBA to help broker-dealers purchase SBA-guaranteed loans from lenders. Brokers will be able to borrow from SBA to buy 7(a) loans from SBA lenders and pool them for sale to investors in the secondary loan market.

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### **ARC Stabilization Loans**

- Based on the calls we're getting, a new program, tentatively called America's Recovery Capital, or ARC, also is being highly anticipated by lenders and small businesses alike.
- This will be an entirely new program, and SBA is creating it from scratch – which will take at least a few weeks.
- The ARC Program will offer deferred-payment loans backed 100 percent by the SBA of up to \$35,000 to viable small businesses that need help making payments on an existing, qualifying loan for up to six months.
- This new program is intended to give small businesses some temporary financial relief to keep their doors open and get their cash flow back on track so they can maintain existing jobs and ultimately create new jobs.
- Repayment does not begin until 12 months after the loan is fully disbursed.
- ARC loans can't be made to cover payments on an existing loan that was guaranteed by SBA before the day the bill was signed into law February 17, 2009.

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### **Expanded Microloans**

- One element of the recovery act already is in place – extra funding for SBA-backed microlenders across the country.
- The bill provides enough for \$50 million in new SBA microloans, which are delivered by non-profit community-based intermediary lenders across the country.
- These loans can be for up to \$35,000 and come with technical assistance and training for every borrower.
- Because this program is already in place, you can go to a microlender today and apply for a loan.

### **Surety Bond Program Expansion**

- Increasing Surety Bond Limits will help small businesses compete for the billions of dollars in contracts that are needed to implement the Recovery Act.
- By raising the maximum amount for contracts that qualify for SBA surety bonds to \$5 million, and up to \$10 million on some contracts, more small businesses will be able to help drive economic recovery.

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

- A new program will be created to use guarantees to promote the sale of 504 program first mortgages will provide fresh liquidity to the 504 first mortgage market. Through this program SBA will establish a process for private sector entities to apply for federal guarantees on pools of first lien position 504 loans.

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### **Expanded 504 Refinancing Project**

- A New 504 refinancing program will help expand existing long term projects by working with Certified Development Companies to restructure and refinance existing loans into SBA-backed 504 loans.

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### **SBIC Program Expansion**

- SBA's Small Business Investment Company program is also implementing Recovery Act items related to venture capital.
- The SBIC office is working on the necessary regulations and notices for licensees alerting them that they may be eligible for additional SBA financial assistance and, also, that they will be required to invest 25 percent of their financing dollars in "smaller" enterprises.

### **GENERAL TIMELINE FOR IMPLEMENTATION OF PROGRAMS**

- SBA is working to implement these elements with the goal of having the broadest impact on small businesses as rapidly and effectively as possible.
- Our strategy is to get each program done quickly and effectively in a way that is transparent to all our partners.
- Taken together, the programs of the Recovery Act will help us knock down the obstacles that are keeping credit from flowing to the small business entrepreneurs of America.