



SBA's Efforts to Expand Access to Capital for Small Businesses

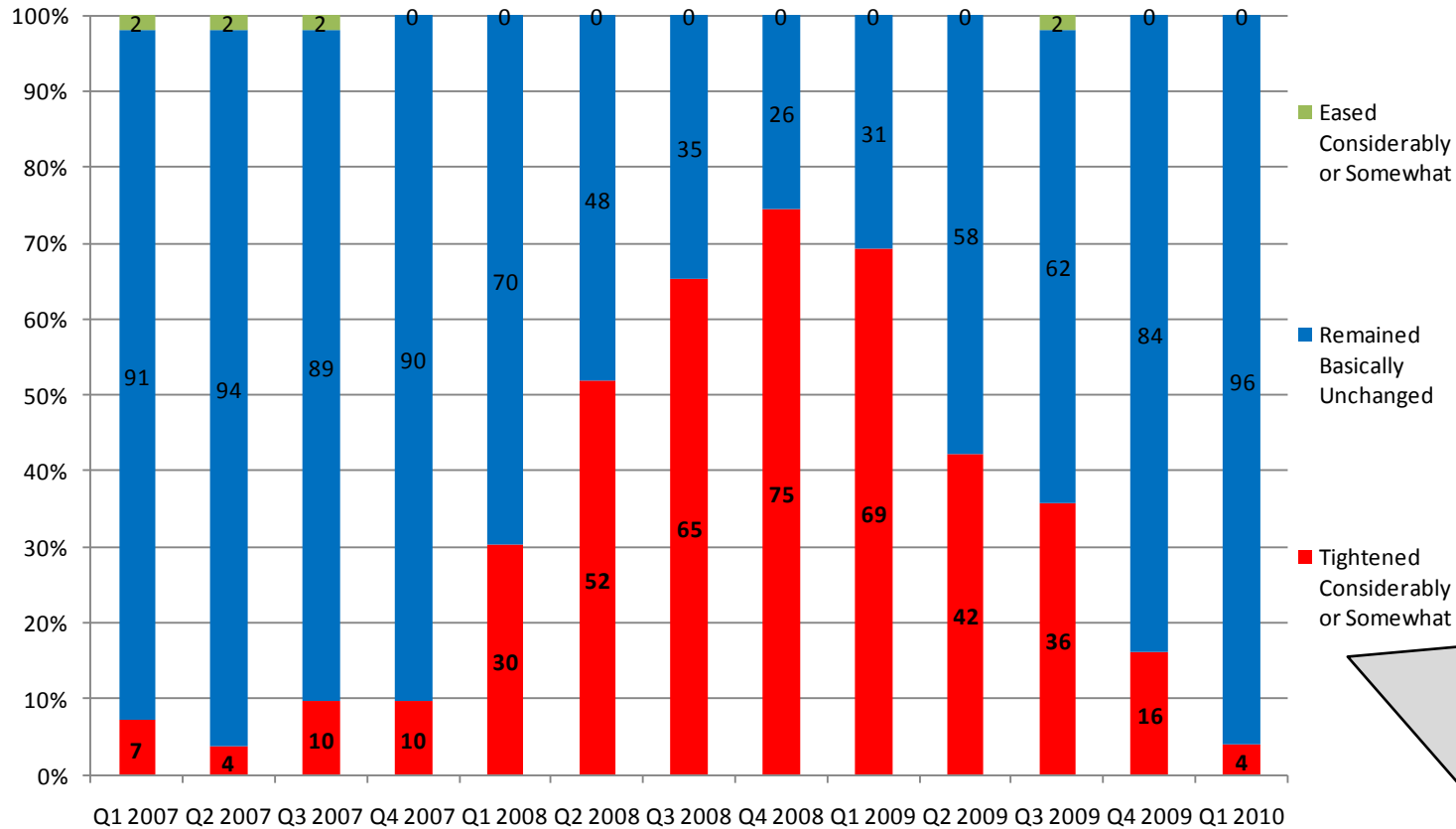
NCSL Spring Forum
April 2009

- Credit crisis & the impact on small business lending
- Recovery Act & enhancements to SBA programs
- Next steps to address market gaps



Most bank loan officers (96%) report that credit standards remained unchanged in the last quarter—without any easing of standards after two years of tightening

Percent of Bank Loan Officers who report how credit standards have changed over the past three months for small business firms (annual sales less than \$50 million)



•After a double-digit percent of banks reported tightening for two years, most Bank Senior Loan Officers (96%) report **stabilization of credit standards in FY Q1 2010**

•However, there is still **no sign of easing credit standards**

Tightened standards demonstrates the **importance of increased guaranties** to address risk aversion & increase access to capital



U.S. Small Business Administration

Recovery Act Projects

Program Changes	<ol style="list-style-type: none">1. 7(a) and 504 Fee Reductions2. 7(a) 90% Guarantees3. Expanded Microloans4. 504 Project Expansion Refinancing5. SBIC Program Changes6. Surety Bond Program Changes
New Programs	<ol style="list-style-type: none">1. Business Stabilization Loans2. Secondary Market – 504 First Mortgage3. Secondary Market Lending Authority
Other Actions	<ol style="list-style-type: none">1. TALF/TARP Interaction
Cross-Purpose Projects	<ol style="list-style-type: none">1. Risk Management2. Communications3. Technology
Oversight and Reporting	<ol style="list-style-type: none">1. ARRA Implementation and Reporting Requirement Committee2. GAO Report3. OIG Auditing Committee

Overview of Recovery Act: Goals

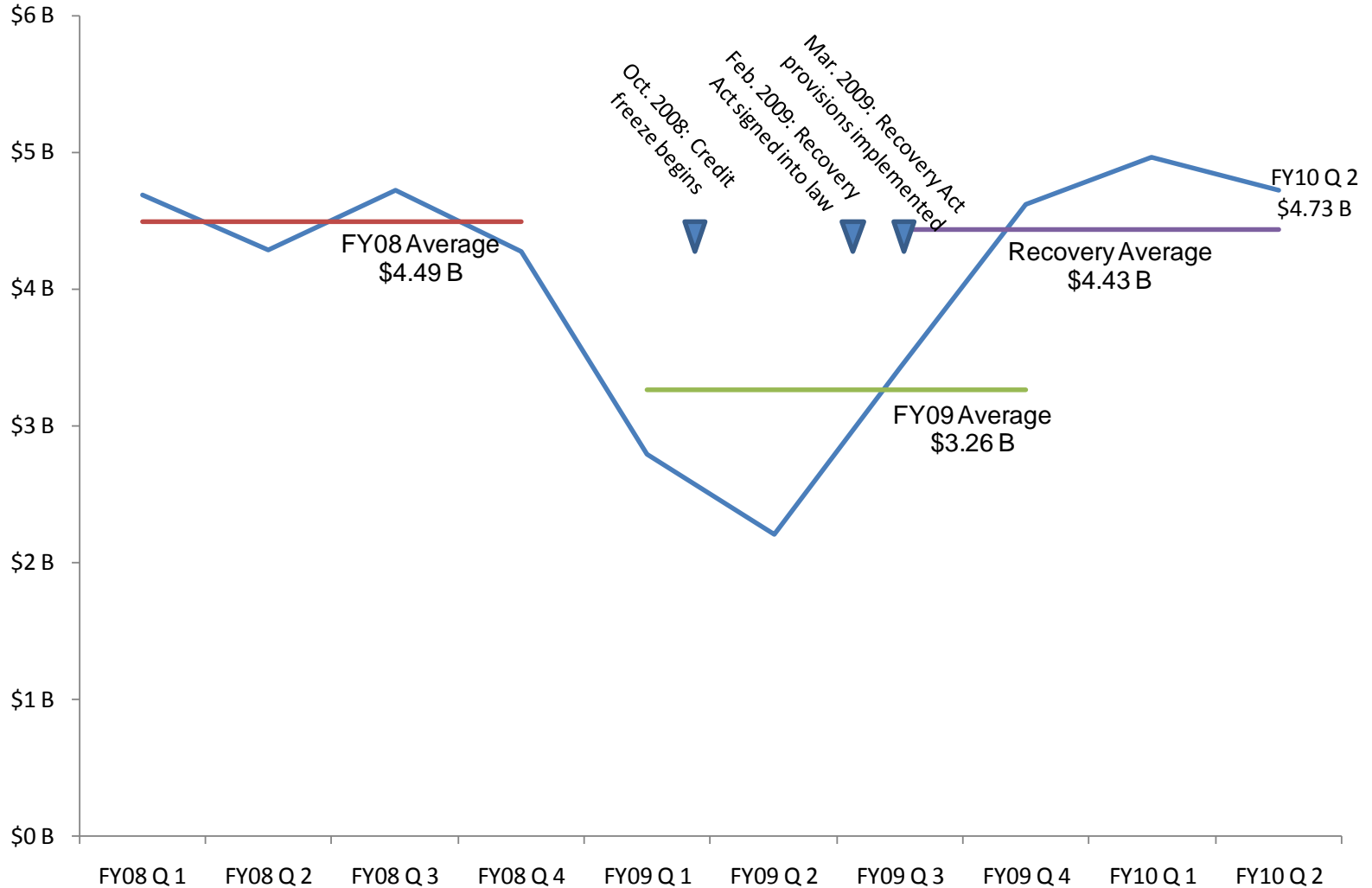
- 1. Restore Access to Capital for Small Businesses:**
 - Increase Lending across SBA Loan Programs
 - Restore Healthy Secondary Markets

- 2. Support Vulnerable Businesses:**
 - Provide ARC Loans
 - Expand Micro lending

- 3. Facilitate Recovery Opportunities:**
 - Surety Bond Guarantees
 - Small Business Contracting Opportunities

Quarterly 7(a) and 504 Loan Volume: FY2007 – 2010

Quarterly Gross 7(a) and 504 Loan Approvals

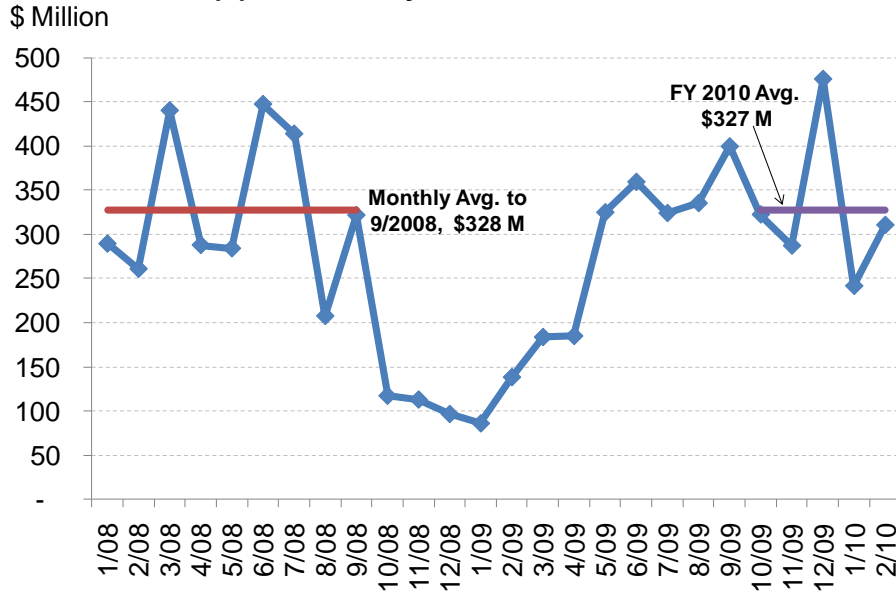


NOTE: All loan volumes are gross loan value approved. Typically, due to cancellations and loan size reductions, 15 – 20% of gross approval value does not get disbursed.

Monthly Secondary Market Activity: As of February 28, 2010

Volume

7(a) Secondary Market Settled Value

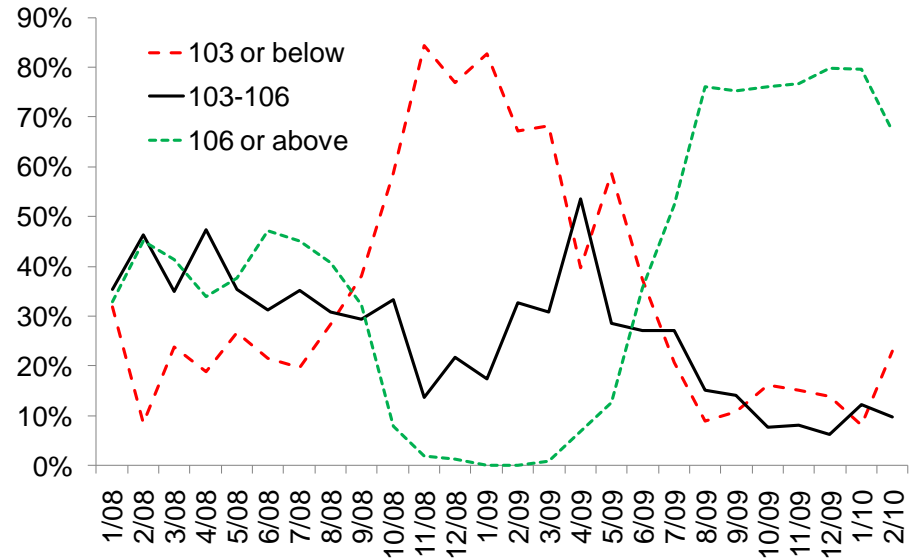


Recovery Continuing: Over the past nine months, the average monthly loan volume settled from lenders to broker-dealers in the 7(a) secondary market has been \$339 million, which is above pre-recession averages.

In February 2010, \$310 million settled in this market.

Pricing

7(a) Secondary Market Premium Ranges

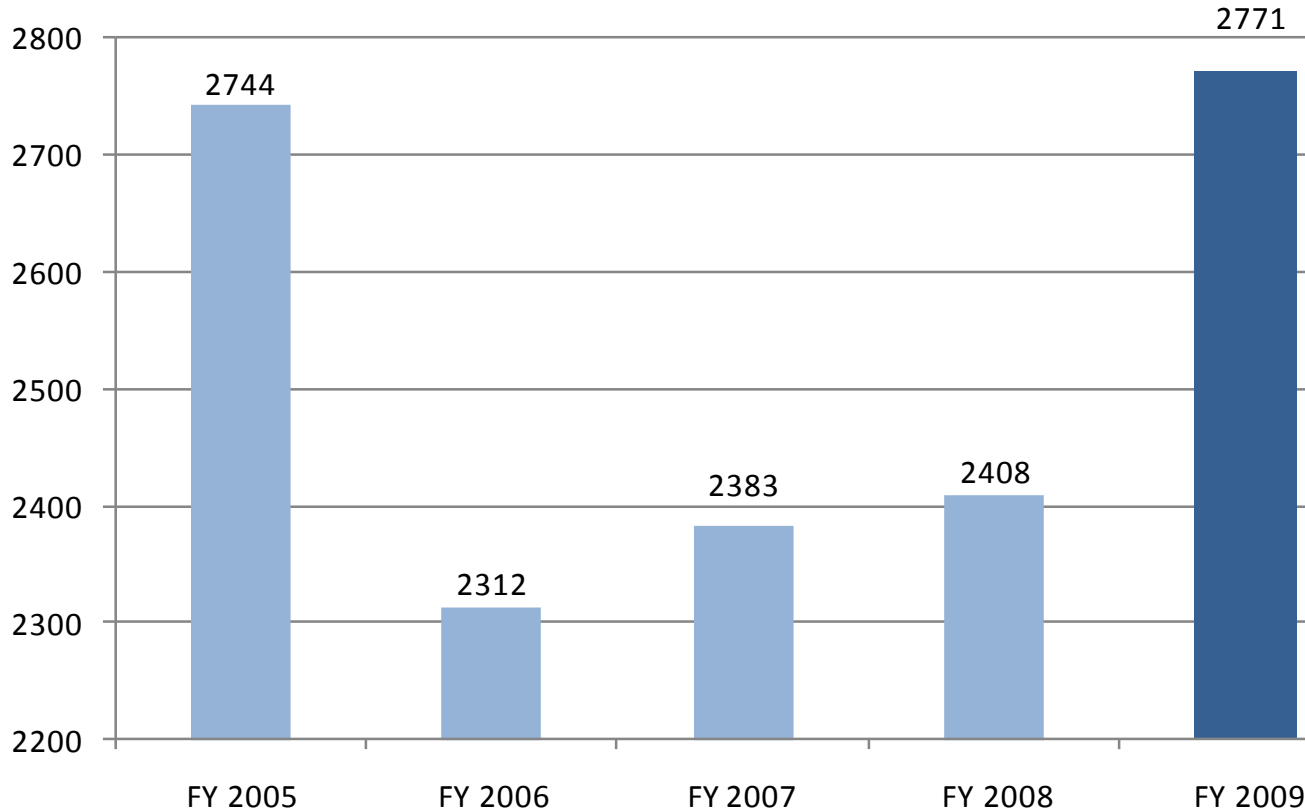


Premiums Recovering: Premiums have begun to recover in the 7(a) secondary market, and for the past 6 months have been at 2007 levels.

Pricing Improving: In February, 82% of the loans settled, representing 67% of the total dollars, were sold at or above premiums of 106. By comparison, in January and February, 2009, zero loans sold at premiums at or above 106.

Growth in 7(a) Lender Participation

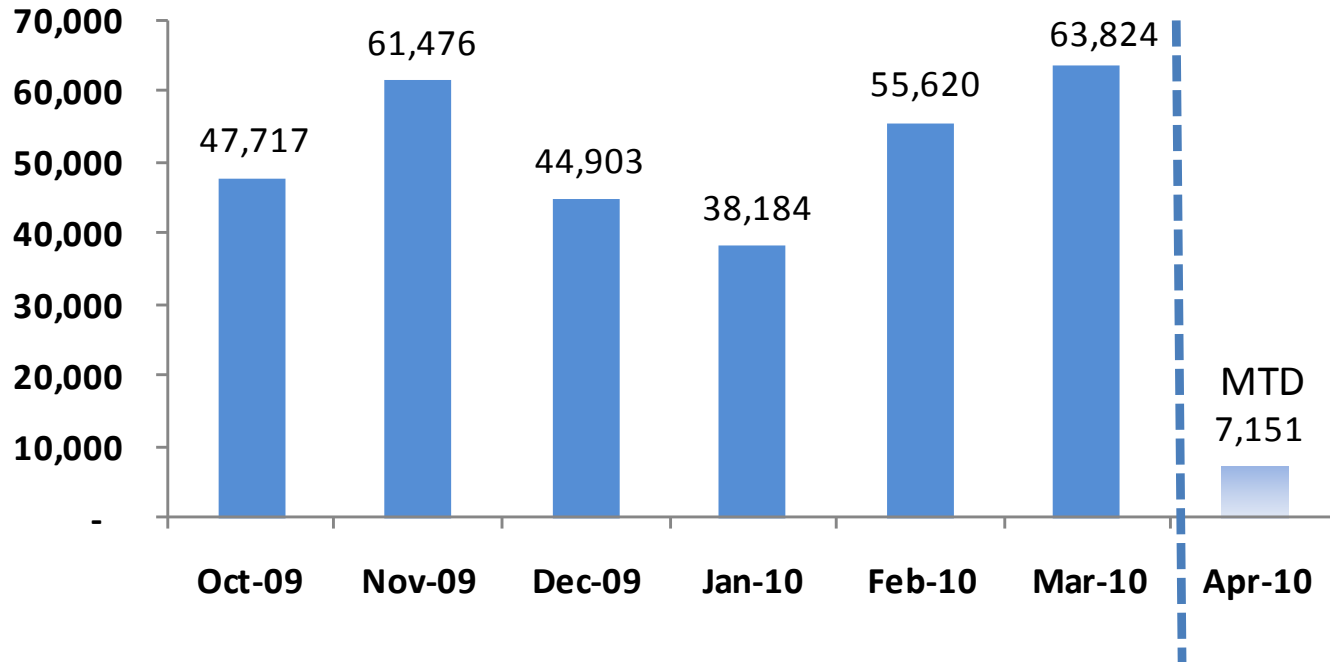
**Number of Active 7(a) Lenders,
by Fiscal Year**



• Since the Recovery Act passed, 1,166 lenders that had not previously made a loan since 2007 made 7(a) loans

• FY 2010 YTD is set to surpass last year's level, as 2,443 lenders have already made a 7a loan

Jobs Created/Retained through 7(a) and 504 Loans



Total Jobs FY 2010 YTD = 318,875

* Job creation/retention numbers are self-reported by the borrower and appears in the SBA loan application form. It is combined with gross loan approval data from the Colson system. Jobs filter was applied to reduce outliers and jobs associated with cancelled loans.

NOTE: Loan volumes are gross loan approvals since 2/17. Typically, due to cancellations/loan size reductions, 15–20% of gross approvals are not disbursed.

President Obama has made several Jobs Bill proposals to address challenges related to small business lending

Challenge

Proposed Solution

Extend the Recovery Act Provisions

Increased guarantees and reduced fees, continuing these highly successful incentives to increase small business lending.

Larger Loan Limits

Permanently increase the cap on 7(a), 504 and microloans to provide support to a wider array of small businesses. Temporarily increase the cap on SBA Express.

Commercial Real Estate Refinancing

Temporarily allow eligible commercial real estate mortgages to be refinanced into SBA 504 loans to help small businesses avoid foreclosure and save jobs

Small Business Lending Fund (Treasury)

Transfer \$30 Billion from TARP to create a new program that supports small business lending, targeted at community and smaller banks

Risk aversion by lenders



Capital constraints

