

# Los Angeles District Office

# SBA LENDER UPDATE SBA

## Resources for America's Small Businesses

FALL 2010, VOL. 2

## President Obama Signs Small Business Jobs Act

On September 27, 2010 President Obama signed the Small Business Jobs and Credit Act, which ensures small businesses have access to the capital they need by extending SBA's successful Recovery loan enhancements and putting local, community banks in a position to be a real partner for small businesses and entrepreneurs.

The Act also includes billions in tax cuts specifically targeted to small businesses so they can put more of their own resources into growing their business.

See *Summary* on page 2 & 3

## SBA, FDIC Highlight Strategic Alliance To Promote Job Creation and Economic Opportunity

The U.S. Small Business Administration and the Federal Deposit Insurance Corporation co-hosted a **Small Business Symposium** September 30, 2010 that brought together lenders, business leaders, local chamber executives and community leaders at the Omni Hotel in downtown Los Angeles.

The *Small Business Symposium* was a West Coast kick-off event for a national Strategic Alliance Memorandum that was signed earlier by the SBA and FDIC in New York. The strategic alliance will broaden SBA's and FDIC's working relationship in order to strengthen and expand small business development across the nation for entrepreneurs.

Robert Mooney, Deputy Director, Consumer Protection and Community Affairs, FDIC and Theodore Holloman, Los Angeles

SBA District Director (acting) announced the Agreement and kicked-off the Symposium. The *Small Business Symposium* featured local experts and lenders who presented on SBA and FDIC programs, government procurement opportunities, traditional financing, alternative financing, and technical assistance for the small business community. The event provided an opportunity to share ideas and gather information on the needs of small businesses.

"During these difficult economic times, it is imperative that the SBA and FDIC provide small and minority businesses with the necessary tools to drive economic growth and create jobs in their communities," said Theodore Holloman, Los Angeles SBA District Director (acting). "This Strategic Alliance Memorandum will ensure that our two agencies work together to remove hurdles and help small businesses

See *Alliance* on page 4

## New SBA Website this Fall

**Revamped SBA.gov will deliver essential information & services to small business owners**

The U.S. Small Business Administration announced that a complete redesign of its website, SBA.gov, will launch this fall.

The new SBA.gov will make it easier for lending institutions and other members of the small business community to more quickly find the information they need through a simplified navigation structure. In addition, new features will allow users to tailor their experience to provide information that is specific to their needs and location.

The new website also will offer a dedicated lender area that helps banks and other financial institutions that partner with the SBA.

"Our goal as an agency is to get information, tools and services into the hands of small business owners more quickly so they can spend more time doing what they do best – creating the jobs that will drive our economic recovery," said SBA Administrator Karen Mills. "Through a new, personalized and dynamic SBA.gov we will be better able to support job growth across the country."

The agency also recently launched an improved search function on the current SBA.gov website which vastly improves the speed at which users can find the information they are looking for in advance of the launch of the new site this fall.

For more information on the SBA's online expansion, please visit [www.sba.gov/next](http://www.sba.gov/next).

THE NEXT SBA.GOV  
Learn More >

No one should have to spend more than a few minutes searching for information on SBA.gov—especially when that information might be critical to the survival or success of a business. That's why we're redesigning the SBA.gov Web site from top to bottom. Find out more information at: <http://www.sba.gov/next/personalize.html>. And don't forget our online community...

• Twitter handle: @SBAgov • Facebook: facebook.com/sbagov • YouTube: youtube.com/sba

# Small Business Jobs and Credit Act

## Summary

The Small Business Jobs and Credit Act gives our nation's small businesses support and incentives to help them grow and hire. The Act authorizes an additional **\$505 million** to extend the two major enhanced benefits, **Fee Waiver/Reduction** and **90% Guaranty**, allowed under Section 501 and 502 of the Recovery Act through 2010.

The bill **immediately extends successful SBA Recovery Act provisions**, meaning that within a few days, it will restart the SBA's Recovery lending, beginning with the more than 1,300 small businesses that have been waiting to get the credit they need – with thousands more benefitting in the coming weeks.

And the bill includes **eight new small business tax cuts – all effective as of Monday, September 27, 2010 and applying to small businesses' taxes for this year** – providing an immediate incentive for businesses to make new investments and expand.

## Extensions can Support \$14 Billion in Loans

Extending these Recovery Act loan enhancements:

- Increase guarantees for SBA's largest loan program (the 7(a) program) to 90%
- Reduce fees for the 7(a) and 504 program – has the capacity to support \$14 billion in lending to small businesses.
- SBA Recovery loan provisions have supported \$30 billion in lending to over 70,000 small businesses.
- Small Business Intermediary Lending Pilot - The law provides \$16 million over the next three years for an intermediary-facilitated microloan program that will target small businesses needing microloans up to \$200,000.

## SBA to Support Larger Loans

The bill also increases the maximum loan size for SBA loan programs, which in the coming weeks will allow more small businesses to access more credit to enable them to expand and create new jobs. The bill:

- **Permanently raises the maximum loan size for the SBA's two largest loan programs**, increasing maximum 7(a) and 504 loan size from \$2 million to \$5 million and the maximum 504 manufacturing related loan size from \$4 million to \$5.5 million.
- **Permanently raises the maximum loan size for SBA microloans**, increasing it from \$35,000 to \$50,000 and strengthening a critical tool for entrepreneurs and business owners in underserved markets to access start-up capital.
- **Temporarily raises the maximum loan size for SBA Express loans from \$350,000 to \$1 million**, providing greater access to working capital loans that small businesses use to purchase new inventory and take on their next order – allowing them to create new jobs.

## SBA to Refinance Owner-Occupied Real Estate Mortgage into 504 Program

- **504 refinancing** will be rolled out after SBA completes the regulations and program guidance for this brand new program in four to six months.
- Letting small businesses refinance into 504 is a win-win. It will provide the business owner with more stable financing. And, for the lenders who hold those mortgages, it will free up capital to make more small business loans.
- Many small business mortgages will mature in the next few years, and face balloon payments—with real estate values having taken a hit, many of these business owners will have trouble getting a bank to refinance them.

## Federal Contracting Opportunities

- **Equal Treatment across Federal Contracting Programs**
  - The law reaffirms “parity” among federal small business contracting programs. Contracting officers will be free to choose among businesses owned by women and service-disabled veterans, as well as those participating in HUBZone and 8(a) programs, and soon the women’s contracting program when conducting contracts that are set-aside for small business.
- **Better Playing Field for Small Businesses – more accountability, integrity, transparency**
  - The law gives agency procurement officers more ability to provide both large prime contracts and micro contracts to small businesses. The law makes it harder for agencies to “bundle” contracts, a practice that often takes opportunities away from small business. The law also has stronger enforcement so agencies will be held more accountable for reaching small business goals.
  - The law enforces stronger subcontracting plan requirements for large prime contractors to ensure small businesses are utilized in subcontracting. It also discourages late payments to small subcontractors.
  - The law enforces SBA’s continuing efforts to combat fraud, waste, and abuse. Federal agencies, including the Department of Justice, will have more ability to vigorously pursue companies that win contracts by misrepresenting their small business status.
- **Small Business Teaming Opportunities**
  - The law provides \$10 million for a new pilot that provides grants that will help small businesses team up with each other to compete for larger and more complex federal government contracts.

## Promotes Small Business Exporting

- **Export Express Pilot Becomes Permanent**
  - The law turns the Export Express pilot loan program into a permanent program with 90% guarantees for loans up to \$350,000 and 75% for loans between \$350,000 and \$500,000.
- **State Trade and Export Promotion Grants Pilot**
  - The law provides \$60 million in competitive grants over next three years for states to help small business owners with exporting.
- **Increased Staff and Strengthened Export Counseling Resources.**

## Treasury to Implement Small Business Lending Fund

In addition to the SBA provisions, Treasury is working to quickly implement two new programs designed to support private-sector lending to credit-worthy small businesses, and expects to release further details in the coming weeks concerning applications for these programs.

- The **Small Business Lending Fund** would make available \$30 billion in capital to small banks with incentives to increase small business lending, potentially supporting several multiples of that amount in new credit.
- The **State Small Business Credit Initiative** will support at least \$15 billion in new lending by strengthening state small business programs – many of them facing budget cuts – that leverage private-sector lenders to extend additional credit.

## Expands Training and Counseling

- **Major Investment in Counseling and Training**
  - The law provides \$50 million in grants available to Small Business Development Centers.

(cont)

# Small Business Jobs and Credit Act

## Eight Small Business Tax Cuts

The President had already signed into law eight small business tax cuts, and the Act adds another eight new tax cuts that go into effect immediately.

### For Example:

- if you are a small business and you buy new equipment, you can immediately write off the first \$500,000 of your investments;
- if you are one of over one million eligible small businesses, key long-term investments in your company will be subject to zero capital gains taxes;
- if you are an entrepreneur and take a chance on a new idea, you can deduct the first \$10,000 of your start-up costs;
- and if you are self employed you can deduct 100 percent of the cost of health insurance for you and your family from your self-employment taxes.

### Zero Taxes on Capital Gains from Key Small Business Investments:

Under the Recovery Act, 75 percent of capital gains on key small business investments this year were excluded from taxes. The Small Business Jobs Act temporarily puts in place for the rest of 2010 a provision called for by the President – elimination of all capital gains taxes on these investments if held for five years. **Over one million small businesses are eligible to receive investments this year that, if held for five years or longer, could be completely excluded from any capital gains taxation.**

### Extension and Expansion of Small Businesses' Ability to Immediately Expense Capital Investments:

The bill increases for 2010 and 2011 the amount of investments that businesses would be eligible to immediately write off to \$500,000, while raising the level of investments at which the write-off phases out to \$2 million. Prior to the passage of the bill, the expensing limit would have been \$250,000 this year, and only \$25,000 next year. **This provision means that 4.5 million small businesses and individuals will be able to make new business investments today and know that they will earn a larger break on their taxes for this year.**

### Extension of 50% Bonus Depreciation:

The bill extends – as the President proposed in his

budget – a Recovery Act provision for 50 percent “bonus depreciation” through 2010, providing **2 million businesses, large and small, with the ability to make new investments today and know they can receive a tax cut for this year** by accelerating the rate at which they deduct capital expenditures.

### A New Deduction of Health Insurance Costs for Self-Employed:

The bill allows **2 million self-employed to know that on their taxes for this year, they can get a deduction for the cost of health insurance** for themselves and their family members in calculating their self-employment taxes. This provision is estimated to provide over \$1.9 billion in tax cuts for these entrepreneurs.

### Tax Relief and Simplification for Cell Phone Deductions:

The bill changes rules so that the use of cell phones can be deducted without burdensome extra documentation – making it easier **for virtually every small business in America to receive deductions that they are entitled to, beginning on their taxes for this year.**

### An Increase in the Deduction for Entrepreneurs' Start-Up Expenses:

The bill **temporarily increases the amount of start-up expenditures entrepreneurs can deduct from their taxes for this year** from \$5,000 to \$10,000 (with a phase-out threshold of \$60,000 in expenditures), offering an immediate incentive for someone with a new business idea to invest in starting up a new small business today.

### A Five-Year Carryback Of General Business Credits:

The bill would allow certain small businesses to “carry back” their general business credits to offset five years of taxes – **providing them with a break on their taxes for this year** – while also allowing these credits to offset the Alternative Minimum Tax, reducing taxes for these small businesses.

### Limitations on Penalties for Errors in Tax Reporting That Disproportionately Affect Small Business:

The bill would change, **beginning this year**, the penalty for failing to report certain tax transactions from a fixed dollar amount – which was criticized for imposing a disproportionately large penalty on small businesses in certain circumstances – to a percentage of the tax benefits from the transaction.

*Alliance: Cont. from page 1*

succeed in the marketplace.”

“The SBA and FDIC each have resources and access to stakeholders which, when combined together, will expand our capacity to contribute to the growth and expansion of small businesses in ways that neither could accomplish alone,” said Robert Mooney, FDIC’s Deputy Director for Supervision and Consumer Protection.

As part of the resource pooling, FDIC will cooperate with SBA and its Resource Partners to provide information to FDIC’s community-based partners about business development services; make available

SBA pamphlets, brochures and other publications through outreach activities; provide speakers for SBA-sponsored events; share potential volunteer opportunities, such as SCORE counseling positions with FDIC’s supervised institutions; and share current SBA news and information.

The SBA and FDIC are joined by common purposes of promoting America’s entrepreneurial potential and the creation of jobs and economic opportunity through the formation, maintenance and expansion of small businesses in the United States.