

Small Business Administration
Interview with Eric Zarnikow, Senior Advisor to the
Administrator for Capital Access

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Ron Johnson: There's a new law that has already helped thousands of small businesses get the loans they need. It's the Small Business Jobs Act of 2010. It includes an extension of SBA's enhanced loan provisions while offering billions more in lending support. If you need a small business loan, you want to hear what our guest today has to say.

Hello, I'm Ron Johnson with the Small Business Administration, Your Small Business Resource, and with me today is Eric Zarnikow who's the senior advisor to the administrator for Capital Access. Welcome, Eric.

Eric Zarnikow: Well, thanks, Ron. It's great to be here today. On September 27th, President Obama signed into law The Small Business Jobs Act. And what this act does is it puts more resources into the hands of small businesses so they can grow and create and maintain jobs. Under America's Recovery and Reinvestment Act, also known as the Recovery Act, we turned \$680 million in taxpayer dollars into more than \$30 billion dollars in lending support. And really the Small Business Job Act really builds on the success that we saw in SBA as part of the Recovery Act.

Ron Johnson: How does the Jobs Act put more capital in the hands of entrepreneurs and small business owners? And what are some of the changes in SBA's loan programs?

Eric Zarnikow: So let me walk you through some of those changes. When you take a step back and you look at the Jobs Act, this is really the largest, most important piece of small business legislation that we've seen in more than a decade. And the changes in our lending provisions are really pretty numerous. The Jobs Act does continue the increased guarantees and the waived fees that made our Recovery Act loans so successful. And we expect that the \$505 million that we got as part of the Jobs Act law will provide support for about \$14 billion dollars in overall small business lending.

In addition, there were a number of changes that were permanent changes to our program. So, for example, we were able to more than double the maximum loan size in our primary loan programs, what we call our 7(a) and 504 loan programs, from about \$2 million up to \$5 million. In addition, it expands what we call our alternative size standards. With SBA we only make loans to small businesses, so we have to define what is a small business. And we were able to increase our alternative size standard, able to lend to slightly larger small businesses. And it really is focused on those businesses with less than \$15 million in net worth and less than \$5 million in average net

income now qualified for SBA loans. We expect that this is going to open up SBA loan programs to thousands of additional small businesses to help them enable to grow their firms and create jobs.

In addition, the law also created a number of longer term incentives and programs designed to put capital back into the hands of small businesses that need it most. And there are really three provisions under this category. We're going to re-launch our Dealer Floor Plan Program that's going to help small business owners who sell cars, RVs, boats and other titleable inventory. And it's going to allow larger dollar loan limits that we mentioned earlier. This has been a critical thing to help support the dealer industry where they've had trouble getting access to capital.

In addition, in the coming months, we're going to stand up a program that will allow small businesses to refinance their owner-occupied commercial real estate mortgages into our 504 loan program. This is a two-year provision and historically our 504 program did not allow refinancing. So this is really a temporary expansion of our program to try and address what's going on in the credit markets today.

Then, over the next six to nine months, we're also going to launch a brand new intermediary-facilitated loan program where we'll lend money to nonprofit intermediaries at a low cost on a

long-term basis. And then they relend it onto small business and this is really targeting businesses that need loans up to about \$200,000.

Ron Johnson: Now, I understand that the Jobs Act also enhanced SBA's international trade program.

Eric Zarnikow: That's correct. And this law really focuses on a number of provisions designed to promote small business exporting and this is really building on the President's National Export Initiative. The President's National Export Initiative set a goal to double exports over the next five years and our Office of International Trade has done a tremendous job really supporting the president's initiative.

There are several exciting elements of the changes in our international trade loan programs. First, our Export Express Pilot Loan Program was turned into a permanent program. And this allows up to a 90 percent guarantee for loans up to \$350,000. And a 75 percent guarantee for loans between \$350,000 and \$500,000. So it made the program permanent and doubled our maximum loan size. In addition, the loan also provides competitive grants that we'll make to states up to about \$60 million over the next several years. And these grants the states will use to help promote small business exporting in their individual states.

Ron Johnson: When will SBA begin implementing the programs and the new law and what is the process for applying for a loan?

Eric Zarnikow: In our process we've really already begun implementing the provision. So the law was signed on September 27th and by October 1st we had implemented the extension of the fee relief and the higher guaranty. And were able to clear out the loan queue that we had set up where small businesses were waiting in a queue for the Jobs Act to pass. In the first month of the passage of the Jobs Act, we have actually supported nearly \$3 billion in loans to more than 5,000 small businesses.

In addition, the higher loan limits that I mentioned earlier, we've already implemented; those were completed on October 8th. So as an agency, we've moved tremendously quickly. We recognize the needs that small businesses have out there for access to capital. And we've really moved extremely quickly to get these provisions implemented as quickly as possible.

Ron Johnson: Our thanks to Eric Zarnikow, senior advisor to the administrator for the Office of Capital Access. The resources in the Jobs Act provide important new tools to help America's small businesses do what they do best. And that is to grow and create jobs. To learn more about the Jobs Act and other SBA resources, go to www.sba.gov. Until next time, this is Ron Johnson with the SBA, Your Small Business Resource.

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