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President Obama Outlines Latest in a Series of New Small Business Proposals
Successful SBA programs expanded to increase working capital, help businesses refinance

WASHINGTON – Today in Lanham, Maryland, President Obama proposed the expansion of two critical Small Business Administration (SBA) lending programs, aimed at allowing small businesses to refinance and increasing limits for working capital. These are both legislative proposals designed to help small businesses through what continues to be a difficult period in credit markets.

President Obama said, “The true engine of job creation will always be businesses. What government can do is fuel that engine: by giving entrepreneurs and companies the support to open their doors, expand, and hire more workers. Today, we're taking another step towards assisting small business owners get the capital they need to grow and hire.”

SBA Administrator Karen Mills said, “These proposals will provide us with two effective tools to help small businesses meet specific challenges brought on by the recession. First, in the tight credit market of the last two years, lines of credits have been cut for small firms. Raising the limit on SBA Express loans to \$1 million will mean more small business owners will have quicker access to this source of capital to help restock inventories and support larger revenue sales, and literally take that next step to grow their business and create new jobs. Second, thousands of good, creditworthy businesses find themselves caught by declining real estate values as a result of this recession. With many of them now facing mortgages coming due in the next few years, the ability to refinance into SBA’s 504 loan will give them the chance to lock in long-term, stable financing, as well as protect jobs by protecting small businesses from foreclosure.”

Details of the President’s new small business initiatives are below:

1. Expand SBA’s existing program to temporarily support refinancing for owner-occupied commercial real estate loans:

The Administration is proposing legislation to temporarily allow for the refinancing of owner-occupied commercial real estate (CRE) loans under the SBA’s 504 program, which provides guarantees on loans for the development of real estate and other fixed assets. Currently, 504 loans cannot be used for the refinancing of maturing debt. This change would respond to the difficulties many current, solvent borrowers face in refinancing existing commercial real estate loans.

Businesses with a loan maturing in the next year who are current on all loan payments will be eligible. Lenders that are refinancing mortgages for existing customers will make a loan for up to 70 percent of the current property value; and SBA will help finance the remaining 20 percent. For new lenders taking on a refinancing project, SBA will take on a greater share of financing, up to 40 percent. SBA's proposal for a temporary, zero-subsidy CRE refinancing program would be funded through additional fees for refinancing projects, not through a Congressional appropriation. This proposal will help refinance up to \$18.7 billion each year in commercial real estate that might otherwise be foreclosed and liquidated.

2. Temporarily increase the cap on SBA Express loans from \$350,000 to \$1 million:

The President is proposing to temporarily increase the maximum SBA Express loan size to \$1 million, which would expand the program's ability to help a broad range of small businesses through a streamlined approval process. Unlike traditional 7(a) loans, lenders can use their own paperwork for SBA Express loans, which can be structured as revolving lines of credit. Currently, these Express loans are capped at \$350,000 and carry a 50 percent guarantee. Fees would cover virtually all of the added costs of this proposal.

These proposals complement the President's broader small business agenda - a key part of his overall jobs plan. The other elements of the small business agenda include:

- Extending small business expensing and bonus depreciation for 2010. Eliminating capital gains taxes for small businesses in 2010.
- A Small Business Jobs and Wages Tax Credit that would cut taxes for more than 1 million small businesses by paying up to \$5,000 for every net new job and covers payroll taxes on overall wage increases in excess of inflation.
- A proposal to transfer, through legislation, \$30 billion to a new Small Business Lending Fund that will support lending by community and smaller banks.
- Additional SBA lending proposals, including an extension of the Recovery Act programs that eliminate fees and raise guarantees on SBA's two largest loan programs and permanent increases in the maximum loan sizes for major SBA programs.

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Editor's Note: AN SBA Fact Sheet on these proposals is available at:

http://www.sba.gov/idc/groups/public/documents/sba_homepage/sba_rcvry_factsheet_cre_refi.pdf