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## *Changes to SBA Loans Aimed to Help Small Businesses*

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Many argued that the recently passed economic stimulus bill included very little to help small businesses in the United States. Small businesses (those with less than 100 employees) directly employ some 40 million people in the United States and are a driving force in the economy. As such, many felt there should have been more relief for this important sector of business.

There were some bright spots for small businesses included in the bill, specifically some expansion / improvement to the existing loan programs under the Small Business Administration (SBA). The bill provided \$730 million to the SBA so they can help struggling businesses as well as provide much needed capital to entrepreneurs during the capital crunch. Many small businesses have lost access to capital due to the problems impacting the banking industry. The bill includes some of the following provisions to help small businesses:

**Increase SBA Guarantee** – The bill includes \$375 million to raise the SBA’s guarantee level to as much as 90 percent on certain loans. Previously, the SBA could only guarantee up to 85 percent on loans up to \$150,000 and 75 percent on loans in excess of \$150,000. This should hopefully encourage lenders to provide more capital to small businesses by increasing the SBA guarantee. It also provides for the reduction or elimination of SBA loan fees on a temporary basis.

**Business Stabilization Loans** – The bill provides \$255 million to create a new loan program that provides deferred payment loans of up to \$35,000 to viable small businesses that need financing capital. The loans are 100 percent guaranteed by the SBA and allow deferred payments for at least 12 months.

**Microloans** – The bill includes \$30 million for expanding SBA’s Microloan program. Microloans are small loans of \$35,000 or less and provide the entrepreneur technical assistance to start-up or expand their business.

**Surety Bonds** – Small businesses require surety bonds to obtain federal contracts as well as other contracts. The SBA guarantees surety bonds for small businesses that private companies would not typically provide. The bill increases the maximum contract amount that can be covered by an SBA guaranteed surety bond from \$2 million to \$5 million.

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