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Small Biz Journal

SBA Stands Ready to Serve You

By James A. Kocsi

The last time I checked the doors to the U.S. Small Business Administration's offices were open. The lights were still on in the office and our employees were busy scheduling events for 2009. My point, although somewhat exaggerated, is that the SBA remains open for business. Despite an economic downturn, the SBA stands ready to serve you.

In the past year, SBA's authority to fund loans has not changed. Then what has changed? For starters, economic conditions have changed and have greatly affected Wall Street and the banking industry. These same changes are now making their way to the small businesses on Main Street. The economic uncertainties have led to diminished loan demand by small business owners and those looking to start a small business. Borrowers are on average less creditworthy than in previous years and many lenders have tightened credit standards for all borrowers.

Over the last couple of months, we have seen even more the tightening of credit requirements by lenders and small business owners are less likely to obtain the financing they need. Despite these challenging times, the SBA has been proactive in assisting small businesses. The health of the small business community continues to remain SBA's top priority. The most pressing concerns are strategies to help get lending markets open and moving again so that capital continues to flow to small businesses. We believe the availability of credit due to structural problems is more of an issue than the cost of capital. Right now, rates are at all time lows, but lenders are facing liquidity issues that overshadow other factors.

What is important to know, is that three steps have been taken by the SBA to help stimulate lending to small business owners. The first step took place in early September, when we launched our Small/Rural Lender Advantage Initiative in New Jersey. To offset the drop in lending and to offer businesses more choices to obtain loans, the SBA is aggressively recruiting new lending partners. This new initiative targets small community banks and enlists them to provide SBA loans of up to \$350,000. The initiative also simplifies the application process to facilitate the entry of new lending partners or those with limited SBA experience. These efforts will help in bridging the credit gap caused by the banks that sharply curtailed business lending.

The second step is the addition of a new base interest rate on SBA loans, which should help increase the number of loan approvals during fiscal year 2009. The change allows lenders to use the London Interbank Offered Rate (LIBOR), as well as the prime rate, giving our network of lenders the flexibility to give small business owners greater access to capital.

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The third and final step was taken when the U.S. Department of Treasury announced that it would allocate \$20 billion to back the creation of a \$200 billion Term Asset-Backed Securities Loan Facility (TALF) at the Federal Reserve Bank of New York. This approach is a significant move to unclog the sale of guaranteed SBA loans in the secondary market and to help restore the flow of credit to normal levels. The TALF would make loans to investors who purchase asset-backed securities made up of small business loans guaranteed by the SBA. As a result, our lenders will find it easier to sell these loans and use the proceeds of those sales to fund and approve additional loans. This program will be available through December 31, 2009.

Results from these programs may not come immediately, but the programs are in place to improve the credit flow down to the small business owners on Main Street. It is also possible that a second economic stimulus package could be on its way in early 2009.

Help is Available

Please be aware that while some of our lending partners have scaled back on all of their business loans, there remain a substantial number of banks who are making loans with the SBA's assistance. If you encounter a problem, give our office a call and we can provide you with the contact info for other lenders in your area who may be able to assist you.

The SBA remains committed, more than ever, to helping small business owners survive these tough economic times. I also want to remind you that there are plenty of free resources out there that can help you as well. Organizations like SCORE – Counselors to America's Business – www.score.org, New Jersey Small Business Development Centers – www.njsbdc.com, and the New Jersey Women's Business Center - www.njawbo.org. These excellent organizations can provide you with the necessary guidance needed to find the right loan or to develop a plan to ensure that your business continues to compete in today's marketplace.

For additional information about the variety of SBA loan programs available to you, please visit our Web site at www.sba.gov/financing or contact SBA's Assistant District Director of Lender Relations, William C. Boone at (973) 645-2179 or at william.boone@sba.gov. Additional help can be found on the New Jersey District Web page at www.sba.gov/nj. And remember that the SBA stands ready to serve you.

Note: James A. Kocsi is the District Director for the U.S. Small Business Administration's New Jersey District Office.