

NEWS & VIEWS AMERICAN RECOVERY AND REINVESTMENT ACT

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U.S. Small Business Administration



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Recovery Act Gives SBA Tools to Boost Small Businesses

by: Wisconsin SBA District Director Eric Ness

The Obama Administration is determined to employ the American Recovery and Reinvestment Act and the Small Business Administration to make a big dent in the small business credit crunch.

The goal for SBA is jump-starting job creation, re-starting lending, and promoting investment in small businesses.

The Recovery Act provides SBA with \$375 million to temporarily eliminate loan fees and raise guarantee limits up to 90 percent on most types of 7(a) loans. It temporarily eliminates 504 loan fees for both borrowers and lenders. SBA estimates these provisions will apply to approximately \$8.7 billion in 7(a) loans and \$3.6 billion in 504 loans and last through calendar year 2009.

To help small businesses compete for construction and service contracts, the Act allows SBA to more than double the amount it can offer for SBA-backed surety bonds—from a previous \$2 million maximum to \$5 million. An element already in place—SBA's Microloan program—received additional funding for up to \$50 million in new loans. In another step, the Treasury Department plan has committed up to \$15 billion in TARP funds to help unfreeze small business lending by purchasing existing and new SBA-backed loans made by banks.

The Recovery Act authorizes the SBA to use its 504 program in various ways to refinance existing loans for fixed assets in a business expansion project to use its guarantee authority to establish a secondary market, and to make loans to broker dealers who buy 504 loans from lenders.

Significant interest has been shown in a new program funded by the Act—tentatively called America's Recovery Capital, or "ARC" Stabilization Loans. Once in place, this temporary program funded to \$255 million, will offer deferred-payment loans 100 percent guaranteed by SBA for up to \$35,000 to viable small businesses that need help making up to six months' worth of payments on existing, qualifying, non-SBA backed loans.

The Act also helps to make venture capital available to small businesses by raising the funds SBA-licensed Small Business Investment Companies can receive if they raise small business investments by five percent. SBA staff is working hard to implement the rest of the Recovery Act's programs. Although there are many moving parts, SBA's aim is to implement these programs quickly and effectively for as rapid an affect on small business credit markets as possible.

Let me emphasize that all of SBA's existing programs are open for business. We back new loans and provide training, technical and contracting assistance to entrepreneurs every day. Be assured the SBA is working overtime. We know small businesses have a proven ability to create new jobs and commerce. The next phase of our economic recovery rests in their hands.

American Recovery & Reinvestment Act Information Website <http://www.sba.gov/recovery/index.html>

KEY ELEMENTS OF AMERICAN RECOVERY AND REINVESTMENT ACT

7(a) loan Guarantee Fee Eliminations IN PLACE

For all 7(a) loans approved by SBA on or after February 17, 2009, borrower fees are eliminated. SBA estimates that it will be able to eliminate upfront guarantee fees on loans approved through approximately December 31, 2009 or when funds are exhausted.

504 Development Company Program Fee Eliminations IN PLACE

For eligible loans approved through the Agency's section 504 Development Company Program on or after February 17, 2009, SBA will eliminate two program fees: 1) Third-Party Participation Fees and 2) CDC Processing Fees. Consistent with the Recovery Act's temporary elimination of CDC Processing Fees, CDC's will no longer be allowed to collect deposits from small business applicants that would have gone towards payment of the CDC Processing Fee upon loan approval. SBA will reimburse the CDC's for the waived CDC Processing Fees. SBA will eliminate the Participation Fee and the CDC Processing Fee until the aggregate dollar amount of 504 loans made under this authority exhausts the funds dedicated to that purpose. SBA estimates that it will be able to eliminate these fees on loans approved through approximately December 31, 2009 or when funds are exhausted.

90 Percent Guarantee IN PLACE

For many 7(a) loans approved on or after March 16, 2009, the bill allowed SBA to raise its loan guarantee to as much as 90 percent. The 50 percent guarantee on SBA Express loans remains unchanged. These guarantees will remain in affect through calendar year 2009, or until funds are exhausted.

Microloans IN PLACE

The bill expands SBA's Microloan program which provides small loans (up to \$35,000) paired with technical assistance to start-up, newly established or growing small businesses. The bill provides funding to increase loans from SBA to participating Microlenders by \$50 million through September 30, 2010, and adds \$24 million in grants to provide technical assistance to borrowers. Historically, these loans reach low-income individuals, women and minorities in both rural and urban areas.

Surety Bonds IN PLACE

Effective March 27, 2009, small businesses that need surety bonds to compete for construction and service contracts can qualify for U.S. Small Business Administration-backed surety bonds of up to \$5 million. The higher amount, a result of the Recovery Act, is more than double the previous \$2 million maximum surety bond guaranteed by SBA.

Through SBA's Surety Bond Guarantee program, SBA guarantees bid, payment and performance bonds. Surety bonds protect the project owner against financial loss if contractors default or fail to perform. SBA partners with the surety industry to help small businesses that would otherwise be unable to obtain bonding in the traditional commercial marketplace. Under the partnership, SBA provides a guarantee to a participating surety company of between seventy and ninety percent of the bond amount.

Additional program enhancements contained in the stimulus bill will be announced soon in the *Federal Register*. Among these changes is a provision that will allow SBA to guarantee a bond on a federal contract up to \$10 million following certification by the contracting officer that the bond guarantee is required.

KEY ELEMENTS OF AMERICAN RECOVERY AND REINVESTMENT ACT (continued)

In recent years, SBA has taken a number of steps to reinvigorate its Surety Bond Guarantee Program and make it easier for small businesses to obtain bonds. In 2007, SBA established a more flexible pricing structure allowing Preferred Surety Bond Sureties to charge current state rates rather than being locked into rates that were established several years ago. Industry associations have commended SBA for these new changes and SBA continues to encourage surety bond providers and agents to actively participate in the program.

In the past year, SBA also implemented a new electronic bond application process. Small businesses and surety companies participating in the SBA prior approval program are able to transmit application forms electronically to help expedite review and approval processes. The SBA also re-engineered the claims reimbursement process to shorten the cycle time between submission of a claim for reimbursement by a surety company and payment by the government.

America's Recovery Capital (ARC) Business Stabilization Loans

The bill provides \$255 million for this new temporary SBA loan program to provide deferred-payment loans of up to \$35,000 to viable small businesses that need help making payments on an existing, qualifying loan for up to six months. Once in place, this new program is intended to give small businesses some temporary financial relief to keep their doors open and get their cash flow back on track so they can maintain existing jobs and ultimately create new jobs. Repayment does not begin until 12 months after the loans is fully disbursed, giving small businesses time to re-focus their business plans in order to succeed in the long run. ARC loans can't be made to cover payments on an existing loan that was guaranteed by SBA before the bill was signed into law February 17, 2009.

Refinancing

The bill also gives SBA the power to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion. This change will help business owners expand their current development projects and create jobs in their communities.

Secondary Market Expansion

The bill authorizes SBA to establish a secondary market for pools of "first lien" loans under the 504 program. These "first lien" loans from commercial lenders currently have no SBA guarantee. The bill authorizes SBA to deploy federal guarantees for pools of these first lien loans, so that they can be sold to investors in a secondary market. Providing liquidity for these first mortgages will help encourage lenders to continue participating in SBA's 504 loan program, which provides a key source of capital for community development and other projects.

The bill also empowers SBA to set up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for SBA-guaranteed 7(a) loans. These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market.

Investment Program

The bill helps SBA-licensed Small Business Investment Companies (SBICs) and families of SBIC funds better leverage the capital they use to invest in small businesses. The bill sets maximum levels of funding the agency can provide to these companies at up to three times the private capital raised by these companies, or \$150 million, whichever is less. It also raises the percentage any one can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of any licensee's dollar investments that must be made in "smaller" businesses.

Wisconsin SBA Personnel Territory Assignments (Counties)

Below is a listing of SBA personnel assigned to specific Wisconsin counties. We thought this information would be helpful when contacting our Wisconsin SBA District Office for assistance.

Becky Freund, Marketing & Outreach
608-441-5519 Fax: 202-481-0411

[Email: becky.freund@sba.gov](mailto:becky.freund@sba.gov)

Counties: Buffalo, Chippewa, Clark, Dunn, Eau Claire, Jackson, La Crosse, Monroe, Pepin, Pierce, Rock, St. Croix, Taylor, Trempealeau and Dane.

Under Dane: Cross Plains, DeForest/Windsor, McFarland, Middleton, Monona, Oregon, Stoughton, Sun Prairie, Waunakee/Dane

John Mirenda, Marketing & Outreach
608-441-5512 Fax: 202-481-2602

[Email: john.mirenda@sba.gov](mailto:john.mirenda@sba.gov)

Counties: Adams, Columbia, Crawford, Grant, Green, Green Lake, Iowa, Juneau, Lafayette, Marquette, Portage, Richland, Sauk, Vernon, Waupaca, Waushara, Winnebago and Dane. Under Dane: Belleville, Black Earth, Cambridge, Cottage Grove, Deerfield, Marshall, Mazomanie, Verona

Joe Rosner, Marketing & Outreach
414-297-1178 Fax: 202-481-2736

[Email: joseph.rosner@sba.gov](mailto:joseph.rosner@sba.gov)

Counties: Dodge, Jefferson, Kenosha, Ozaukee, Racine, Walworth and Washington

Jim Simelton, Marketing & Outreach 414-297-4089

Fax: 202-481-2364 [Email: james.simelton@sba.gov](mailto:james.simelton@sba.gov)

Counties: Ashland, Barron, Bayfield, Burnett, Douglas, Iron, Lincoln, Marathon, Milwaukee, Oneida, Outagamie, Polk, Price Rusk, Sawyer, Vilas, Washburn, Wood

Mary Trimmier, Marketing & Outreach
414-297-1093 Fax: 202-481-4497

[Email: mary.trimmier@sba.gov](mailto:mary.trimmier@sba.gov)

Counties: Brown, Calumet, Door, Florence, Fond du Lac, Forest, Kewaunee, Langlade, Manitowoc, Marinette, Menominee, Oconto, Shawano, Sheboygan and Waukesha.

Linda Krysiak
Business Development and Government Contracting
414-297-1455 Fax: 202-481-4154

[Email: linda.krysiak@sba.gov](mailto:linda.krysiak@sba.gov)

Covers entire state

Cheryl Jordan
Business Development and Government Contracting
414-297-3951 Fax: 202-481-0766

[Email: cheryl.jordan@sba.gov](mailto:cheryl.jordan@sba.gov)

Covers entire state

Members of the SBA staff frequently conduct presentations to lenders, civic groups, small business groups, chambers of commerce, schools, colleges, etc. on SBA programs, the SBA Recovery Act, resources and other small-business related topics.

Presentations may be accompanied by PowerPoint shows and may take anywhere from 20 minutes to 2 hours or more, depending on your desired subject matter. In addition to the presentation, attendees will be provided free informative small business material.

We do our best to accommodate all requests. Please contact the representative listed above for your county or you may also contact Cindy Merrigan, Business Development Specialist at 608-441-5560 ([email: cindy.merrigan@sba.gov](mailto:cindy.merrigan@sba.gov)) for assistance.

American Recovery & Reinvestment Act Information Website

<http://www.sba.gov/recovery/index.html>