



2009 RECOVERY ACT



American Recovery and Reinvestment Act “Recovery Act”



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What is it?

A plan to grow our economy by:

- Jump-starting job creation
- Restarting lending
- Investing in small business



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Attacks Several Problems Small Businesses Face:

- Provides financial relief to entrepreneurs and lenders
- Provides capital and tools for small businesses
- Helps unlock credit markets for small businesses
- Temporarily eliminates fees on some SBA-guaranteed loans



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Bill Divided Into 9 Components:

- Temporary Elimination of Loan Fees
- Temporary 90 Percent Guarantees
- Secondary Market Liquidity for Section 7(a) loans
- ARC Loan Program
- Expanded Microloans



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Bill Divided Into 9 Components:

- Surety Bond Program Expansion
- Secondary Market for First Mortgages associated with Section 504 Certified Development Company loans
- Expanded Refinancing Project for Section 504 loans
- SBIC Program Expansion



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Temporary Fee Eliminations

- Temporary fee eliminations for borrowers on 7(a) loans and for both borrowers and lenders on Section 504 loans
- The fee eliminations are retroactive to Feb. 17, 2009, the day the Recovery Act was signed



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Temporary 90 Percent Guarantees

- Guarantees to up to 90 percent on most types of 7(a) loans to qualified small businesses



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TARP (Secondary Market):

- Up to \$15 billion in TARP funds to unfreeze the small business lending market
- Treasury will purchase existing and new SBA-backed loans made by community banks, credit unions and other small lenders
- Guaranteed portion of most 7(a) loans [(50-75-85-90% guarantees)] and 504 first mortgage loans (not guaranteed) are eligible



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7(a) Secondary Market Liquidity

- SBA will assist broker-dealers purchasing SBA-guaranteed 7(a) loans from lenders
- This program will help restore the secondary market for 7(a) loans



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America's Recovery Capital (ARC) Loan Program

- Designed for viable small businesses that need help making payments on existing, qualifying loans for up to six months
- Maximum loan \$35,000
- 100 percent guarantee by SBA



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America's Recovery Capital (ARC) Loan Program

- Deferred payments – repayment begins 12 months after final disbursement
- CANNOT cover payments on existing SBA loans approved before Feb. 17, 2009



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Expanded Microloans

- Extra funding for SBA-backed microlenders
- Enough for \$50 million in new SBA microloans
- Loans up to \$35,000
- Technical assistance, training for every borrower
- Entrepreneurs can apply immediately



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Surety Bond Program Expansion

- Raises maximum contract amount covered by SBA surety bond guarantee from \$2 million to \$5 million
- Expands up to \$10 million under certain contracts
- Helps small businesses better compete for contracts



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Secondary Market for First Mortgages Associated with Section 504 CDC Loans

- New process to bring fresh liquidity to the 504 first-mortgage market
- SBA will establish a process for private-sector entities to apply for federal guarantees on pools of first-lien position 504 loans



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Expanded Refinancing Project for Section 504 Loans

- SBA works with CDCs to restructure, refinance certain existing long-term projects in conjunction with expansion
- Loans eligible for refinance must have originally financed long-term fixed assets



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SBIC Program Expansion

- Helps SBICs better leverage capital to invest in small businesses
- Maximum SBA funding levels are lesser of up to three times the private capital raised or \$150 million
- SBIC can now invest 10 percent of total capital in a single small business
- Requires licensee dollar investment of 25 percent in "smaller" businesses



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Important Note

SBA is working to implement these elements with the goal of having the broadest impact on small businesses as rapidly and effectively as possible



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