

American Recovery and Reinvestment Act of 2009: The Stimulus Plan for Small Business

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Implementing the Recovery Act for Small Business: **INTRODUCTION**

The American Recovery and Reinvestment Act will have a significant impact on small businesses and on the credit crunch, providing tax incentives and financing opportunities that will help them create jobs.

Implementing the Recovery Act for Small Business: **INTRODUCTION**

The American Recovery and Reinvestment Act makes SBA a large part of the solution for small business, providing it with specific tools to make it easier and less expensive for small businesses to get loans, give lenders new incentives to make more small business loans, and help unfreeze the secondary markets to boost liquidity in the credit markets.

Implementing the Recovery Act for Small Business: **THE FUNDING**

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help.

The funding includes:

Implementing the Recovery Act for Small Business: **THE FUNDING**

- \$375 million for temporarily eliminating fees on SBA-backed loans and raising SBA's guarantee percentage on some loans to 90 percent. The elimination of fees, announced on March 16, will remain in effect until the end of the calendar year or until the funding is exhausted. The elimination of fees is retroactive to the day the Recovery Act was signed into law.

Implementing the Recovery Act for Small Business: **THE FUNDING**

- \$255 million for a new loan program to help small businesses meet existing debt payments
- \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to micro lenders
- \$20 million for technology systems to streamline SBA's lending and oversight processes

Implementing the Recovery Act for Small Business: **THE FUNDING**

- \$20 million for technology systems to streamline SBA's lending and oversight processes
- \$15 million for expanding SBA's Surety Bond Guarantee program
- \$25 million for staffing up to meet demands for new programs
- \$10 million for the Office of Inspector General

Implementing the Recovery Act for Small Business: **THE SPECIFICS**

The “ARC” Loans: of up to \$35,000 are designed to provide a “bridge” for viable small businesses with immediate financial hardships—to keep their doors open until they can get back on track.

Implementing the Recovery Act for Small Business: **Expanded 7(a) Loans**

- Increased “small business” size standard to \$8.5M net worth and \$3M 3-year average net income.
- Increased SBA Guarantee coverage to 90%.
- Reduced fees for borrowers.

Implementing the Recovery Act for Small Business: **Floor Plan Financing**

Floor plan financing is a line of credit that allows auto and RV dealers to borrow against their inventory, and then repay that debt as they sell their inventory or borrow against the line of credit again to add new inventory. This is guaranteed by SBA under its expanded 7(a) Loan Program.

Implementing the Recovery Act for Small Business: **The 504 Loan**

- **PURPOSE:** To provide existing, viable small businesses with long-term below market rate financing for the acquisition of land and building, machinery and equipment, construction and renovation which results in the creation of new full time job opportunities.
- Reduced loan fees
- Refinance of old real estate debt with new improvements or property acquisitions

Implementing the Recovery Act for Small Business: **Surety Bond Financing**

Doubling the surety bond guarantee from \$2 million to \$5 million, thus providing small business construction and service sectors with another tool to help them better compete for federal, state, county and commercial construction and service contracts.

Implementing the Recovery Act for Small Business: **Venture Capital Funds**

The Recovery Act expands SBA's venture capital program to increase the pool of investment funding available to the Small Business Investment Companies licensed by SBA to as much as 50% of their investments to be made in low income areas for newer SBICs.

Helpful Web Sites

- www.sba.gov
- www.capitalsbdc.umd.edu
- www.sba.gov/recovery
- www.hispanicbusinessconference.org

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