



SBA Information Notice

TO: All Employees

CONTROL NO.: 5000-1140

SUBJECT: Expiration of Temporary Recovery Act Loan Enhancements and Re-activation of the Recovery Loan Queue

EFFECTIVE: 2-16-2010

The U.S. Small Business Administration (SBA) is finalizing plans for an orderly transition from SBA loans with temporary enhancements provided under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Recovery Act loans will no longer be available after expiration of the authority for the higher guaranty on 7(a) loans (February 28, 2010) and exhaustion of funds for the higher guaranty and for fee relief under the 7(a) and 504 programs.

Fee relief for certain 7(a) and 504 loans and an increased guaranty percentage on eligible 7(a) loans originally were authorized when the Recovery Act was signed into law by President Obama on February 17, 2009 (P.L. 111-5). Section 502 of the Recovery Act authorized SBA to guarantee up to 90 percent on eligible 7(a) loans through February 16, 2010. Subsequently, provisions in the Department of Defense Appropriations Act, 2010 (P.L. 111-118), signed by President Obama on December 19, 2009, authorized an extension of the higher guaranty to February 28, 2010. Fee relief on certain 7(a) and 504 loans under Section 501 of the Recovery Act is authorized until September 30, 2010 or until funds provided for that purpose are exhausted.

Because the authority for the higher guaranty expires on February 28, 2010, 7(a) applications submitted under delegated processing must receive a valid SBA loan number on or before 11 pm EST, February 28, 2010 in order to be eligible for the higher guaranty. Loan applications submitted under non-delegated processing must be received by the Loan Guaranty Processing Center in complete form no later than February 20, 2010.

As a result of the success of these two provisions in spurring increased SBA-backed lending, original funding for both provisions was exhausted in late November. At that time, SBA activated the Recovery Loan Queue as it worked with the White House and Congress for additional funds to resume lending with Recovery Act enhancements. The Recovery Loan Queue allowed small business borrowers to continue to apply for loans with those benefits in anticipation that cancellations of previously approved Recovery Act loans and the possibility of additional funding from Congress might allow those applications to be funded. When additional funding was provided in December to cover the costs of the Recovery Act lending enhancements, the applications that were in the Recovery Loan Queue were funded.

SBA is monitoring lending activity daily to determine the date at which we anticipate current funding for these two Recovery Act loan enhancements to be exhausted. As SBA nears that point, the Agency will once again implement a transition period that will include the re-

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activation of the Recovery Loan Queue. SBA expects to implement the Recovery Loan Queue before February 28, 2010. Eligible 7(a) loan applications that are in the Recovery Loan Queue and are funded before February 28 will receive both fee relief and an increased guarantee percentage. However, any application that is in the Recovery Loan Queue that is funded after February 28 will only be eligible for fee relief, unless Congress again extends the authority for the increased 7(a) guarantee.

Sometimes, previously approved loans are later cancelled or never disbursed for a variety of reasons. The Recovery Loan Queue takes this into account and beginning on the transition date will allow eligible small businesses, in consultation with their lenders, to choose to be placed in the Recovery Loan Queue for possible approval for a Recovery Act loan if funding becomes available. During this time, funding for non-Recovery Act SBA-backed loans under the 7(a) and 504 programs will continue to be available with all applicable fees and lower guaranty levels.

The Recovery Loan Queue will ensure that SBA has a system in place to utilize any funds that might become available as a result of cancelled or undisbursed loans. This system will result in the maximum usage of Recovery dollars and make sure that as many small businesses as possible have the chance to take advantage of these programs. SBA will issue further guidance on the Recovery Loan Queue at a later date.

SBA is communicating with its lending partners on the transition process and will work to ensure every remaining dollar possible is made available to help small businesses drive economic recovery across the country.

Given the impact these provisions have had in getting much-needed capital in the hands of small businesses, the SBA and the Obama Administration are working closely with Congress to obtain renewed authorization and sufficient funding to continue both provisions.

SBA Field Offices will advise 7(a) lenders and CDCs of this Notice. Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

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