



News Release

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SBA Welcomes Federal Reserve and Treasury Actions to Improve TALF Program to Help Unclog Secondary Market for Small Business Loans

WASHINGTON – The U.S. Small Business Administration today expressed continued support of the Federal Reserve Bank of New York and the Treasury Department as they unveiled new details of their program to help improve market conditions for asset-backed securities, including SBA-backed loans.

“We are pleased that terms for SBA loans are continuing to improve, and TALF is moving into the implementation stage where loans will be made,” said SBA Acting Administrator Darryl K. Hairston. “SBA welcomes the recent announcement from TALF and supports its continued efforts to modify the terms to help unfreeze the secondary market for SBA loans, thus making it easier for our lending partners to make new loans to America’s small businesses.”

“Three specific changes should be especially helpful to the secondary market for SBA loans. The lower collateral requirements for pools with longer expected lives; the creation of a federal funds-based rate; and the reduction in spreads over the base should all combine to make SBA guarantees a more attractive asset class for investors,” added Acting Administrator Hairston.

The Term Asset-Backed Securities Loan Facilities, or TALF, was announced in November 2008 to inject new life into a secondary market that had virtually ground to a halt in October, making it very difficult for lenders to sell loans they make – including SBA-backed loans – and use the proceeds to make more loans. TALF is intended to help unclog the secondary market for SBA loans by making funds available to investors and brokers to purchase loan pools.

About \$4 billion in securities backed by SBA-guaranteed 7(a) loans are bought and sold in the secondary market each year, with the total outstanding amounting to about \$15 billion. At present, an estimated \$3 billion of that amount is essentially frozen thus hampering the ability of some of SBA’s lending partners to make new SBA-backed loans.

The loans that investors will receive from TALF can be used to purchase these securities from brokers, which would inject much needed liquidity for lenders to be able to make new loans.

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