



News Release

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New Action by Treasury and Federal Reserve Will Support Small Business Lending

SBA Works with Federal Reserve, Treasury on Effort to Free Up Small Business Capital

WASHINGTON – Late last week, the Treasury Department and the Federal Reserve announced important details on how the Term Asset-Backed Securities Loan Facility (TALF) will work. This announcement is good news for SBA lenders and secondary market stakeholders.

The announcement extended TALF loan terms, broadened the lending base, and clarified security ratings for SBA guaranteed loans.

“SBA is very supportive of the TALF program, which will ultimately help bring much needed capital to the nation’s small businesses,” said U.S. Small Business Administration Acting Administrator Sandy K. Baruah. “With continued coordination between government and the lending industry, small businesses will be the driver of the economic recovery.”

SBA worked closely with Treasury and the Federal Reserve Board of Governors to ensure the TALF would help restore the flow of buying activity in the disrupted secondary market for SBA-backed loans and generate the liquidity lenders need to step up lending to small businesses.

"A properly functioning secondary market for SBA-backed loans is necessary to provide liquidity to banks and will allow them to reach new small business borrowers," Baruah added.

About \$4 billion in securities backed by SBA-guaranteed loans are bought and sold in the secondary market each year, with the total outstanding amounting to about \$15 billion. At present, a share of the current year’s volume of loans securitized by lenders – estimated at up to \$3 billion – is essentially frozen. The resulting lack of liquidity hampers the ability of some of SBA’s lending partners to make new SBA-backed loans.

On November 24, 2008, the U.S. Department of Treasury’s announced that it will allocate \$20 billion to back the creation of a \$200 billion Term Asset-Backed Securities Loan Facility (TALF) at the Federal Reserve Bank of New York. The TALF will make loans to investors who purchase asset-backed securities made up of small business loans guaranteed by SBA, auto loans, student loans, or credit card loans. As a result, lenders will find it easier to sell the loans they make, and use the proceeds of those sales to make new loans.

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“Along with TALF and other recent program changes, SBA will continue to push for innovative approaches to help restart lending in light of the slowdown in the credit markets,” said Baruah.

SBA will continue to work with Treasury, the Federal Reserve and SBA lending partners to reinvigorate the secondary market for SBA guaranteed securities.

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