



# NEWS RELEASE

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### ***SBA LOWERS 7(a) LOAN MAXIMUM TO ENSURE UNINTERRUPTED SERVICE TO CREDIT CLIENTS***

**WASHINGTON** – As federal agencies across the government begin operations today under a short-term continuing budget resolution, the U.S. Small Business Administration implemented a \$500,000 limit on most guaranteed loans – a step that will leave the vast majority of its small business credit customers unaffected.

**“This is not a step that we take lightly, but after weighing the facts, this is the best solution to the strict limits placed on our total loan authority by the continuing resolution,”** said SBA Administrator Hector V. Barreto. **“Fully 87 percent of 7(a) loans made to small businesses in 2002 are under \$500,000. The alternatives are frequent program shutdowns within days of the passage of each continuing resolution until our 2003 budget is passed.”**

Previous Administrators have capped 7(a) loans at \$500,000 for limited periods, once in 1995 and again in 1997.

Barreto noted that even though 87 percent of the loans backed by SBA guarantees are under \$500,000, the remaining 13 percent of the program’s borrowers consume 51 percent of the allocated loan dollars.

The agency will continue to make loans greater than \$500,000 under the STAR (Supplemental Terrorist Activity Relief) program, which provides SBA-backed financing to small businesses adversely affected by the events of Sept. 11, 2001, and under the 504 program, which provides financing packages for small businesses that seek to purchase or renovate fixed assets, including real estate, buildings and machinery and equipment. The maximum size for STAR loans is \$2 million. The maximum SBA share of a financing package under the 504 program is generally \$1 million.

Under the current continuing resolution – a short-term legislative device that allows federal agencies to continue operating until their final budgets are adopted – the agency is limited to less than \$16 million a day in 7(a) loan approvals, compared to a 2002 average of \$37.4 million per day. The average loan during the year was \$233,000.

Barreto said the agency will revisit the \$500,000 cap when its final FY 2003 budget is adopted.

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*For more information about all of the SBA’s programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA or TDD 704-344-6640. Also, visit the SBA’s extensive Web site at [www.sba.gov](http://www.sba.gov).*

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