



NEWS RELEASE

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SBA LIFTS \$500,000 LOAN CAP, BOOSTS FY 2003 LOAN VOLUME TO \$9.4 BILLION

Implementation of Agency's Econometric Subsidy Model Allows Bigger Loans, Greater Loan Volume

WASHINGTON – Administrator Hector V. Barreto of the U.S. Small Business Administration today lifted a 5-month cap on SBA-backed loans and invited participating lenders to resume submitting applications for guaranteed loans up to the \$2 million statutory limit.

The decision was made possible by President Bush's signing today of recently adopted legislation that allows the agency to implement its revised econometric subsidy model, which more accurately forecasts the actual costs of the 7(a) loan program. The model will be applied retroactively to the beginning of the current fiscal year.

The econometric model, in combination with appropriation levels provided in the FY 2003 budget, will allow the agency to approve more the \$9.4 billion 7(a) loans during the current year, plus \$1.8 billion in STAR loans that have already been made.

"We are happy to be able to help small businesses looking for access to capital, and we are proud to do our part helping them to create new jobs for Americans," said Administrator Barreto. **"The \$500,000 cap on our maximum loan size was a management tool we had to adopt to address the funding limitations placed on the agency in October while maintaining continued service to the maximum number of small businesses.**

"We pledged a year ago to solve this problem in time for FY 2004, and we've done it," Barreto continued. **"The model we've created ahead of schedule employs the best practices of the business world and the federal government. By passing this legislation, Congress has affirmed our work, and allowed us to apply this model to the current fiscal year, which will greatly increase our capacity to provide financing for credit-hungry small businesses."**

The decision to lift the loan cap is effective immediately.

*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. SBA, in co-sponsorship with Staples, has introduced a new online Newsletter **SBA Solutions**. For a free subscription, go to <http://web.sba.gov/list>, and select New **SBA Solutions Newsletter**.*

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