



News Release

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SBA Launches New Markets Lending Initiative

Program is Aimed at Increasing Ownership in Inner Cities and Rural Areas

WASHINGTON, D.C. - The U.S. Small Business Administration has launched a pilot program to provide financial assistance to small businesses in economically distressed urban and rural areas, or "New Markets," that need the economic attention to get communities back on their feet. The initiative provides incentives for commercial lenders and local development organizations to make more SBA-guaranteed loans in these communities.

The New Markets Lending Initiative will help small businesses by enabling Community Development Entities (CDEs) to combine the benefits of both the New Markets Tax Credit (NMTC) Program and SBA-guaranteed loans to provide inner-city and rural small business owners and entrepreneurs greater access to financing and business training.

"We at the SBA are committed to helping American small businesses in economically distressed areas," said SBA Administrator Steven C. Preston. "We believe that this initiative can encourage jobs creation and growth in low income areas, an essential part of the President's economic agenda."

Administered by the Treasury Department's Community Development Financial Institutions Fund, the New Markets Tax Credit Program permits investors to receive credits on their federal taxes of up to 39 percent of investments made in investment institutions called Community Development Entities.

The SBA pilot program, which is only available to 7(a) lenders making new loans through advance-purchase commitments with CDEs, waives a regulation that limits an SBA lender's ability to sell any portion of an SBA guaranteed loan to anyone other than another SBA lender. The waiver allows CDEs with New Markets Tax Credit allocations to purchase up to 90 percent of SBAExpress or CommunityExpress 7(a) loans up to \$150,000 made to NMTC "qualified" businesses in low-income communities. These new loans are guaranteed by the SBA.

The New Markets Tax Credit Program is expected to spur approximately \$16 billion in investments into CDE investment institutions. It was created by Congress through the Community Renewal Tax Relief Act of 2000.

By leveraging the SBA's resources with the Treasury's NMTC program, this new initiative will provide additional access to loans and technical assistance to both start-up and existing firms in New Markets. Under the program, CommunityExpress lenders will assist CDEs to provide small business borrowers with a package of services including mentoring, coaching and counseling.

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