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# SBA loans plummet after stimulus breaks expire

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Lending through Small Business Administration programs has plummeted since the end of May, when the SBA ran out of money for breaks that made these loans less risky for lenders and more affordable for borrowers.

This drop in SBA lending has occurred even as Congress explores new ways to expand small businesses' access to credit.

The economic stimulus bill increased the government guarantee on the SBA's flagship 7(a) loans to 90 percent from the typical 75 percent. The legislation also reduced or waived fees on these loans as well as 504 loans, which are used primarily for real estate. As a result of these breaks, SBA lending rebounded after cratering during the credit crisis of late 2008.

SBA weekly loan volume	
Week ending	7(a) loan volume
May 7	\$212,545,000
May 14	\$277,375,000
May 21	\$326,122,000
May 28	\$732,010,000
June 4	\$59,936,000
June 11	\$101,319,000
June 18	\$43,965,000
June 25	\$138,746,000

Source: Small Business Administration

Note: Funds for 90 percent 7(a) loan guarantee and fee waivers ran out May 26.

Through June 25, the SBA had approved \$10.5 billion in 7(a) loans this fiscal year, which began Oct. 1. That's up 80 percent compared with the same period a year ago.

Lending, however, slowed dramatically in June due to the loss of the higher guarantee and fee waivers. In May, SBA

lenders made about \$272 million in 7(a) loans a week. That's not counting the \$732 million in 7(a) loans made during the final week of May, as lenders rushed to get their loans approved before the loan breaks expired. In the first four weeks of June, average weekly loan volume dropped to \$86 million.

### Inaction frustrates lenders

President Barack Obama has called for reviving and extending the higher loan guarantee and fee waivers through the end of the year, and the proposal has bipartisan support. Congress, however, left town for its weeklong Fourth of July break without acting on it. This lack of urgency frustrates SBA lenders.

Tony Wilkinson, president and CEO of the National Association of Government Guaranteed Lenders, criticized Congress for letting "the one stimulus program that was probably working the best" expire.

"Shame on them," said Eddie Tuvin, vice president of SBA and commercial lending at Capital Bank in Rockville, Md. "Why isn't it a priority?"

Restoring the 90 percent guarantee "would do as much to really juice the recovery as anything," said Charles Green, a former SBA lender in Atlanta who now advises businesses on financial issues.

Tuvin said 7(a) loans "breezed through" his bank's approval process when the 90 percent guarantee was in place. "It was a major factor in the decision of our loan committee to approve several loans that wouldn't have been made without it," he said.

Now it's much a harder to get a 7(a) loan approved, he said.

Plus, many borrowers and lenders simply are holding off on SBA loans.

"We have borrowers waiting right now who are willing to create and retain jobs," Wilkinson said.

### Bill awaits Senate's return

The Senate is expected to vote on legislation in mid-July that would restore these SBA loan breaks, as well as establish a \$30 billion fund that community banks could tap for small business lending. Chances for the Small Business Jobs Act are good since it cleared a procedural hurdle by a 66-33 vote before the Fourth of July recess.

That doesn't mean the SBA loan breaks will be restored any time soon, however. The Senate bill differs in many respects from the House's version of the Small Business Jobs Act. That means the Senate and House would have to hash out their differences before sending the legislation to the president for his signature. That could take weeks, or even months.

Even though the Senate bill increases the size limits on SBA loans -- something lenders have long pushed for -- Wilkinson would rather see Congress first pass a simple extension of the higher guarantee and fee waivers, and then work out a more ambitious bill.

Financial regulatory reform also awaits a final vote in the Senate when Congress returns. The legislation aims to end "too big to fail" bank bailouts by imposing new capital and leverage requirements, and creating an orderly system to liquidate large financial firms that fail. It also regulates over-the-counter derivatives and creates a new consumer watchdog for financial products.

Critics fear the bill could hurt the availability of credit to small businesses. Tuvin expects banks may cut back their lending as a result of the additional costs and regulations they would face as a result of the legislation. Green fears the bill could lead to more bank consolidation, because it would make it harder for smaller banks to be profitable.

Green, however, thinks small businesses could benefit from the bill's new consumer protections, since many business owners rely on credit cards and revolving lines of credit.