Economic Recovery and Beyond

Penny Pickett
Associate Administrator for Entrepreneurial Development
U. S. Small Business Administration – www.SBA.gov

Federal Reserve Bank of Dallas
October 14, 2009
SBA's Four Program Areas:

1. Disaster Assistance
2. Government Contracting & Business Development
3. Capital Access
4. Entrepreneurial Development

Operating Networks and Leveraging Resources
Network Includes:

- 68 District Offices
- Portfolio Loan Guarantees over $90 Billion

Resource Partners:

- 900 Small Business Development Centers
- Eight Veteran's Centers
- 110 Women's Business Centers
- 350+ Chapters of SCORE
- More than 14,000 counselors
- Serving 1.5 million clients in the last year

Demonstrating Measurable Impacts

The Economic Challenges for Small Business – January 2009

- Availability of Capital
- Devaluation of Assets
- Reduction in Lines of Credit
- Evaporation of Customers
- Frozen Secondary Markets
Transition & American Recovery and Reinvestment Act of 2009

Nine Elements Infusing $730 Million for SBA:

1. Temporary elimination or reduction of fees on 7(a), 504
2. Up to 90% Guaranty for most 7(a) loans
3. Secondary Market Liquidity - purchase guarantees from broker-dealers
4. America’s Recovery Capital. “ARC” loans - viable small businesses, 100% backed by the SBA, no fees for the borrower, interest costs covered, 12-month grace period, 2,500+ to date
Nine Elements infusing $730 Million for SBA, cont.

5. Expanded Microlending - $50 M in new loan authority

6. Surety Bond guarantee up to $5M – consideration up to $10 Million

7. Changes in federal guarantees on pools of first-lien positions on 504 loans

8. Expanded refinancing for 504 loans

9. Expansion of SBIC program

The Stimulus is Working……..

- SBA Weekly Loan Volume up 60%
  Over $10 Billion so far –
  Close to 2008 Weekly Loan Volume

- Over 1,000 lenders have come back to SBA products
  All not participated since October 2008
  More than half hadn’t made SBA loans since 2007

- About 93% point of contact are community & regional lenders

…….. A Smart Investment
6-Month Weekly loan dollar volume up 60% for 7(a) & 504 - August 2009’s gross 7(a) and 504 approval volume was 8% lower than the average for FY2008, and was 16% higher than the volume in August 2008.

Other Points of Recovery

- Uneven Impact and Uneven Recovery
  “Sand States”, Industrial Mid-West, California

- Still sorting out Conflicting Regulatory Directions

- Where the loans are going
  - 26% of stimulus to rural areas
  - 20% to minority-owned firms
  - 19% to women-owned
  - 9% to veterans

- Government Contracting indicating similar distribution exceeding goals
Looking Ahead – Recovery and Beyond

- Remembering Lessons From 1939: do not pull back too quickly or risk “double-dip”

- Administrator Mills Three priorities for the First Year
  - Implement the Recovery Act
  - Reinvigorate SBA and work closely with our Resource Partners
  - Serve as strongest voice for small business

Looking Ahead – Recovery and Beyond, cont.

- Interagency Collaborations: Energy, Environmental, Entrepreneurship, Manufacturing, Urban Reviews

- Innovation: Small Business Innovative Research Program, Growing Research Initiatives

- Access to Capital – Still an Issue
  - Evaluate the features of the Stimulus going forward – Main Street
  - Seed – Early Stage investment for Gazelles needs consideration
  - Micro Enterprises – Keeping the Cycle Primed
U.S. Small Business Administration

Penny Pickett
Associate Administrator for Entrepreneurial Development
Headquarters Office
409 3rd Street, SW
Washington, DC 20416

WWW.SBA.GOV to find local SBA District Offices