

The Small Business Financing and Investment Act, H.R. 3854

***\$44 billion in annual small business lending and investment,
1.3 million jobs created or saved every year***

While small businesses are our nation's most reliable job creators and will be vital to our recovery, they need access to affordable credit and investment capital if they are going to grow and help put Americans back to work. President Obama has made clear that he understands the importance of helping small businesses access capital. As he said last week, "There's still too little credit flowing to our small businesses... there's still too many successful small businesses that want to expand further and hire more but just don't have the capital to do it."

By modernizing the Small Business Administration's (SBA) capital access programs for the first time in 10 years, the Small Business Financing and Investment Act of 2009 (H.R. 3854) will advance the President's goal of unlocking lending and investment for cash-strapped entrepreneurs, allowing them to expand their operations and hire new workers.

Creating Jobs through Small Business Growth

- By comprehensively updating the SBA's capital access programs, H.R. 3854 will support \$44 billion in lending and investment every year, helping create or save 1.3 million jobs annually.
- H.R. 3854 establishes a new public/private partnership at the SBA that will invest in fledgling small businesses, so they can launch and create jobs. Early-stage businesses like these are some of our best job creators.
- By providing additional technical assistance and training for individuals taking out microloans, H.R. 3854 will ensure more of these new small businesses succeed. The microloan program is an important source of capital for many dislocated workers looking to launch their own business.
- For small businesses that are "major employers" in an area, the legislation will allow them to secure loans as high as \$25 million. This will help small businesses that are significant contributors to local employment access larger amounts of capital.

Updating Existing SBA Lending Programs to Better Meet Businesses' Needs

- The Small Business Financing and Investment Act reduces paperwork required for SBA loans, making it easier for both small business borrowers and lenders to participate.
- The bill helps the SBA act as a matchmaker between lenders and businesses and, in times of tight credit, allows the SBA to step in and fill in the gaps when private lenders stop lending.
- H.R. 3854 also increases loan sizes, giving businesses access to larger amounts of capital. Conventional loan sizes increase by 30% to \$3 million; other loan programs will provide as much as \$25 million for small manufacturers.
- The legislation establishes a new training program to encourage lender participation, creating more choices for businesses seeking to acquire SBA-guaranteed loans.
- Because businesses' recovery is often vital for communities that are trying to come back from natural disasters, the legislation strengthens the SBA's disaster loan program, providing a one-year deferment on SBA disaster loans. The legislation increases outreach so that, after disasters, small businesses can better take advantage of SBA's existing disaster loan programs.
- H.R. 3854 also creates a new grant program so small firms can receive grants of \$100,000 in order to help them recover from disasters.
- A new program at the SBA will help smaller and solo health practitioners adopt Health Information Technology, improving patient care, reducing health care costs and helping speed the adoption of electronic health records among small practitioners.

Building on the Success of the Recovery Act

- The American Recovery and Reinvestment Act, which Congress passed and President Obama signed into law in February, temporarily raised the amount that the government can guarantee on SBA-backed loans to 90%. It also eliminated fees that borrowers normally pay on SBA loans.
- These changes have already helped many small businesses. A little more than seven months since the Recovery Act's enactment, the SBA's average weekly loan volume has jumped more than 70% when compared with the two months preceding the law's passage. In all, the SBA has supported over \$9 billion in lending since the Recovery Act's passage.
- H.R. 3854 builds on these successes. By maintaining the higher guarantee, the bill will encourage more financial institutions to loan to small firms. The bill reauthorizes the fee waiver to make loans more affordable for small businesses.
- Under the bill, the application requirements for loans through the America's Recovery Capital (ARC) program are reduced, so that businesses can secure these emergency, interest-free loans faster.
- H.R. 3854 also raises ARC loan sizes from \$35,000 to \$50,000, meaning firms can get a larger injection of short-term capital to weather the current downturn.

Delivering Startup Capital to New Ventures

- Businesses are also having difficulty raising equity capital. Beginning in the last quarter of 2008, investments in early-stage businesses plunged 26.4%.
- To address this shortage, the bill establishes a new Early-Stage Investment Program at SBA, which will pair grant money from the SBA with private venture capital in order to target investment dollars to promising small business startups.
- The legislation modernizes the SBA's New Markets Venture Capital (NMVC) program, which steers investment dollars to businesses in low-income areas. H.R. 3854 will expand the geographic reach of the New Markets program so more businesses around the nation can utilize it.
- The bill targets NMVC resources to smaller manufacturers in low income areas.
- The legislation makes improvements to the "Renewable Energy Capital Investment" in order to increase investment in small enterprises that are researching alternative and renewable energy solutions.

Promoting Entrepreneurship for Veterans, Rural America and Women

- As many of our men and women in uniform return from the conflicts in Iraq and Afghanistan, the bill provides tools to help veterans interested in starting their own businesses.
- For veterans, the legislation offers higher guarantees and lower cost loans, so they can access more affordable capital.
- With the creation of a Rural Lender Outreach Program, this bill reduces application burdens for small business borrowers and lenders in these regions, increasing the flow of capital to businesses in rural areas.
- The Rural Lender Outreach Program also increases loan guarantees, encouraging banks to lend to rural entrepreneurs.
- The bill also makes permanent the Community Express program, which promotes lending to small businesses owned by women and economically disadvantaged individuals.