



REPRESENTING THE RESTAURANT INDUSTRY

*The Cornerstone of the Economy, Career Opportunities and Community Involvement*

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## **Small Business Plan Summary**

*March 16, 2009*

Below are the details of the Administration's plan to unlock credit for small businesses:

### **1. Unlock Frozen Credit Markets for Small Business Lending, Purchasing up to \$15 billion in Securities:**

The Administration pledges to purchase securities pooled from SBA's 7(a) loan program. Lenders of these SBA loans generally sell the government-guaranteed portion of their loans to provide more liquidity and hence their ability to lend. However, this secondary market has been virtually frozen since last year, limiting the loans that can be made. Starting at the end of March, the Treasury Department is authorized to purchase securities backed by guaranteed portions of 7(a) loans packaged on or after July 1, 2008 – clearing out the backlog of securities. Treasury is also ready to purchase new securities between now and December 31, 2009 when the Emergency Economic Stabilization Act (TARP/Bank Bailout) authority expires.

The Administration will also make direct purchases of securities packaged from the SBA 504 Community Development Loan program. As part of the Economic Recovery Act, SBA is implementing a secondary market guarantee program for these loans. Once that has been fully implemented, Treasury can then purchase those government-guaranteed securities.

The Administration previously announced the Term Asset Backed Securities Loan Facility (TALF) as part of the Consumer Business Lending Initiative (part of the Financial Stabilization Plan). These monies will work to provide investors with an attractive funding source of financing, allowing them to continue to participate in the secondary market and keep it functioning. The Administration intends for the secondary market to continue to exist and private investors should replace the government as the purchaser of these securities once market conditions improve.

### **2. Raise Guarantees to Up to 90 Percent in SBA's 7(a) Loan Program:**

This implements one of the SBA provisions of the Economic Recovery Act that applies to 7(a) loans (issued before 2/17/10). Beginning today, lenders who participate in the 7(a) program can request a guarantee from the SBA of up to 90%, previously 75-85%, to give lenders greater confidence in lending.

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Also, community banks will be able to provide 7(a) loans with that 90% guarantee, knowing that they will be able to sell that loan, increasing their liquidity and ability to make more loans.

### **3. Temporarily Eliminate SBA Loan Fees:**

This implements one of the SBA provisions of the Economic Recovery Act that apply to fees on 504 and 7(a) loans and aim to reduce the cost of lending. Fees on new 504 loans for borrowers and lenders have been temporarily eliminated until September 30, 2010. Up-front fees on new 7(a) loans paid by lenders, often passed on to borrowers, will be eliminated until September 30, 2010 as well.

### **4. New Reporting Requirements on Bank Lending to Small Business and Greater Efforts to Extend Small Business Loans**

Treasury will now require the 21 largest banks receiving Financial Stability Plan assistance to report how much small business lending they do every month. Secretary Geithner called on every bank nationwide to report their total lending to small businesses in their regular quarterly reports, rather than just once a year. He also called on all banks to make an extra effort to extend small business loans to creditworthy borrowers

### **5. Expanded Carryback Provision for Small Businesses, passed as part of the Economic Recovery Act.**

Today the Internal Revenue Service [released guidance](#) for implementation of the 5 year carryback provision for small businesses with gross receipts of up to \$15 million. This was a provision included in the Economic Recovery Act. The technical explanation can be found here: [Revenue Procedures 2009-19](#). For more information and forms, please visit the IRS's Net Operating Loss Carryback and Other ARRA Business Provisions page [here](#).

The Administration's plan also detailed other small business friendly provisions already being implemented as part of the Economic Recovery Act:

- Extension of small business expensing up to \$250,000. in 2008 and 2009.
- Reduction of estimated tax payments to 90 percent of previous years' taxes.
- Extension of bonus depreciation deduction through the end of 2009.
- Reduction of capital gains to 75% for those investing in small businesses, holding those investments for 5 years.