The U.S. Small Business Administration is an independent federal agency established in 1953. Its mission is to maintain and strengthen the nation’s economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters. As of 2019 it had 3,943 full-time personnel, of whom 2,055 were dedicated to disaster assistance. The agency’s 2019 budget was $12.3 billion. $11.3 billion of this was to support credit programs. SBA’s strategic goals are to: 1) support small business revenue and job growth; 2) build healthy entrepreneurial ecosystems and create business friendly environments; 3) restore small businesses and communities after disasters; and 4) strengthen SBA’s ability to serve small businesses. In FY 2019 the agency approved more than 63,500 loans to small businesses through their 7(a) and 504 programs, providing more than $28 billion in credit. In the same period disaster loans were approved providing $2.2 billion in credit. The agency’s principal programs are as follows.

**NON-DISASTER ASSISTANCE**

**7(a) Loans** — The SBA offers government guaranties on loans (up to $5 million) made by lenders to help expand access to capital for business owners who face challenges getting approved for financing. The SBA guaranties a portion of 7(a) loans made and administered by commercial lending institutions. SBA guarantees up to 90 percent of the amount of loans made by participating banks and other lending institutions to eligible small businesses not able to obtain credit elsewhere. Loans can be guaranteed for a variety of general business purposes.

**504 Certified Development Company Loans** — The SBA works with CDCs, which are private nonprofit corporations, and private lenders to provide long-term financing (up to $5.5 million) to support investment in major assets, such as real estate and heavy equipment. This program guarantees 100 percent of the principal and interest payments on debentures issued by development companies for loans to eligible small businesses secured by real estate or equipment.

**7(m) Microloans** — The SBA provides direct loans to nonprofit intermediary lenders, which are community-based organizations with experience in lending and providing technical assistance, that, in turn, make these loans (up to $50,000) to small businesses needing small-scale financing, and technical assistance for startup or expansion.

**Small Business Investment Company Debentures** — SBICs are privately-owned and managed investment funds. They use their capital plus funds borrowed, with an SBA guaranty (up to $150 million) on principal and interest payments on debentures they issue, the proceeds of which are used by the SBIC’s to make equity and debt investments in qualifying small businesses.

**Export Loans** — The SBA provides several types of export loans, including SBA Export Express loans (up to $500,000), Export Working Capital loans (up to $5 million), and International Trade loans (up to $5 million) that provide small businesses with enhanced export financing options to develop foreign markets, fund their export transactions, and/or support business expansion due to exporting success.

SBA also provides Surety Bond Guarantees — A surety bond is a type of contract that guarantees the performance of a contractor. If one party does not fulfill its end of the bargain, then the SBG program provides financial compensation to the other party. The SBA guarantees bonds issued by a surety company in order to encourage the surety company to provide bonds to small businesses, up to $6.5 million for non-federal contracts and up to $10 million for federal contracts.
SBA’s non-credit programs include a wide range of technical assistance and support to small business through various programs and centers. The agency has non-credit programs to support research and development activities carried out by small businesses.

**SBA DISASTER ASSISTANCE**

The SBA is the Federal Government’s primary source of financing for the long-term repair and rebuilding of disaster-damaged private property for homeowners, renters, businesses of all sizes, and private nonprofit organizations. It is the only form of SBA assistance that is not limited to small businesses. Disaster loans are direct loans made by the agency. SBA’s Disaster Assistance Loan program makes direct loans to disaster survivors under four categories: 1) physical disaster loans to repair or replace damaged homes and personal property; 2) physical disaster loans to businesses of any size; 3) economic injury disaster loans to eligible small businesses and nonprofit organizations without credit available elsewhere; and 4) economic injury loans to eligible small businesses affected by essential employees called up to active duty in the military reserves. The maximum interest rate is 4% for loan applicants without credit available elsewhere and 8% for applicants with credit available elsewhere. Short line railroads with 1,500 employees or less meet the SBA small business size standard (NAICS code 482112).

**CORONAVIRUS RESPONSE DISASTER LENDING**

The Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 became law on 3/6/20. This provided additional funds to SBA and declared Coronavirus to be a disaster in response to which economic injury disaster loans can be made. Thanks to this legislation SBA is now offering these loans for working capital to small businesses suffering substantial economic injury as a result of the coronavirus. States and territories must request the designation, and all are expected to have done so within the next few days. Loans are available for businesses that can demonstrate economic injury due to the Coronavirus. This is normally demonstrated by the impact on business revenues. These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact. The interest rate will be 3.75% for small businesses. The interest rate for non-profits is 2.75%. Loans are offered with long-term repayments, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower’s ability to repay, as well as the business credit history. Businesses can begin the process of applying for a loan by registering and creating an account at the SBA Disaster Loan website:

- [https://www.sba.gov/funding-programs/disaster-assistance](https://www.sba.gov/funding-programs/disaster-assistance)

The entire disaster loan application process can be performed electronically through the SBA website. The paper application packet is available at [https://disasterloan.sba.gov/ela/Information/Index](https://disasterloan.sba.gov/ela/Information/Index) but SBA strongly encourages applicants to apply online. Online applications proceed faster, and applicants will receive regular electronic status reports as their application proceeds. Disaster loans can be approved quickly, often within a month of application.

**ONGOING DEVELOPMENTS**

More new laws and regulatory and agency policy actions are expected to emerge. SBA has communicated to ASLRRRA that they are seeking to modify the regulations and policy of the Disaster Loan Program to further expedite loan approval and ensure the maximum provision of credit to businesses in need. Congress is working on a second legislative package, the Families First Coronavirus Response Act. It presently does not contain any provisions relating to the disaster loan program, but it may be expanded in final changes prior to expected imminent passage. Additional legislation is likely to follow.

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