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Small Business: Access to Capital and Job Creation

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Summary

The U.S. Small Business Administration (SBA) administers several programs to support small businesses, including loan guaranty and venture capital programs to enhance small business access to capital; contracting programs to increase small business opportunities in federal contracting; direct loan programs for businesses, homeowners, and renters to assist their recovery from natural disasters; and small business management and technical assistance training programs to assist business formation and expansion.

Congressional interest in these programs has always been high, primarily because small businesses are viewed as a means to stimulate economic activity and create jobs, but it has become especially acute in the wake of the Coronavirus Disease 2019 (COVID-19) pandemic's widespread adverse economic impact on the national economy.

This report provides a brief description of the SBA's access to capital programs and includes congressional action to assist small businesses during and immediately following the Great Recession (2007-2009) and during the COVID-19 pandemic, including the following:

- P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA), provided the SBA an additional $730 million, including $375 million to temporarily subsidize SBA fees and increase the 7(a) loan guaranty program's maximum loan guaranty percentage to 90%.
- P.L. 111-240, the Small Business Jobs Act of 2010, authorized numerous changes to the SBA's loan guaranty and contracting programs; provided $510 million to continue the SBA's fee subsidies and 90% maximum loan guaranty percentage through December 31, 2010; and provided about $12 billion in tax relief for small businesses.
- P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), among other provisions, created a new $349 billion (later increased to $813.7 billion) Paycheck Protection Program (PPP) to provide forgivable, low-interest loans to assist small businesses, small 501(c)(3) nonprofit organizations, and small 501(c)(19) veterans organizations that have been adversely affected by COVID-19. The loans were originally available through June 30, 2020, and were later made available through May 31, 2021.

When the national economy is doing well, congressional debate typically involves the extent to which the federal government should provide the SBA additional resources to assist small businesses in acquiring capital necessary to start, continue, or expand operations and create jobs. Those opposing providing additional resources typically worry about the long-term adverse economic effects of spending programs that increase the federal deficit. They generally advocate business tax reduction, reform of financial credit market regulation, and federal fiscal restraint as the best means to assist small business economic growth and job creation.

During and immediately following recessions, concerns about fiscal constraint are typically superseded by the perceived need to help small businesses access the capital necessary to create or retain jobs. During these times of economic distress, congressional debate tends to focus on finding the means to provide additional SBA assistance to small businesses as quickly and efficiently as possible.

This report addresses a core issue facing the 116th and 117th Congresses: What, if any, additional action should the federal government take to enhance small business access to capital?

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Small Business Access to Capital

The Small Business Administration (SBA) administers several programs to support small businesses, including venture capital programs to provide "long-term loans and equity capital to small businesses, especially those with potential for substantial job growth and economic impact"[1] and loan guaranty programs to encourage lenders to provide loans to small businesses "that might not otherwise obtain financing on reasonable terms and conditions."[2] Historically, one of the justifications presented for funding the SBA's access to capital programs has been that small businesses can be at a disadvantage, compared with other businesses, when trying to obtain sufficient capital and credit.[3] As an economist explained

> Growing firms need resources, but many small firms may have a hard time obtaining loans because they are young and have little credit history. Lenders may also be reluctant to lend to small firms with innovative products because it might be difficult to collect enough reliable information to correctly estimate the risk for such products. If it's true that the lending process leaves worthy projects unfunded, some suggest that it would be good to fix this "market failure" with government programs aimed at improving small businesses' access to credit.[4]

Congressional interest in the SBA's programs has always been high, primarily because small businesses are viewed as a means to stimulate economic activity and create jobs, but it has become especially acute in the wake of the Coronavirus Disease 2019 (COVID-19) pandemic's widespread adverse economic impact on the national economy.[5]

Economists generally do not view job creation as a justification for providing federal assistance to small businesses. They argue that in the long term such assistance will likely reallocate jobs within the economy, not increase them. In their view, jobs arise primarily from the size of the labor force, which depends largely on population, demographics, and factors that affect the choice of home versus market production (e.g., the entry of women in the workforce). However, economic theory does suggest that increased federal spending may result in additional jobs in the short term. For example, the SBA reported in September 2010 that the $730 million in additional funding provided to the agency by P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA), created or retained 785,955 jobs.[6] Also, a study by economists at the

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[1] U.S. Small Business Administration (SBA), *Fiscal Year 2014 Congressional Budget Justification and FY2012 Annual Performance Report*, p. 58, at https://www.sba.gov/sites/default/files/files/1-508-Compliant-FY-2014-CBJ%20FY%202012%20APR.pdf.

[2] SBA, *Fiscal Year 2010 Congressional Budget Justification*, p. 30, at https://www.sba.gov/sites/default/files/aboutsbaarticle/Congressional_Budget_Justification_2010.pdf.

[3] Proponents of providing federal funding for the SBA's loan guarantee programs also argue that small business can promote competitive markets. See P.L. 83-163, §2(a), as amended; and 15 U.S.C. §631a.

[4] Veronique de Rugy, *Why the Small Business Administration's Loan Programs Should Be Abolished*, American Enterprise Institute for Public Policy Research, AEI Working Paper #126, April 13, 2006, at http://www.aei.org/wp-content/uploads/2011/10/20060414_wp126.pdf. Also, see U.S. Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, pp. 3, 9-11, at http://www.gao.gov/new.items/d08226t.pdf.

[5] For further information and analysis concerning the role of small businesses in job creation, see CRS Report R41523, *Small Business Administration and Job Creation*, by Robert Jay Dilger. For further information and analysis concerning programs enacted to assist small businesses during the Coronavirus Disease 2019 (COVID-19) pandemic, see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

[6] SBA, "FY2009/2010 Final—Recovery Program Performance Report, September 2010," September, 2010, at https://www.sba.gov/sites/default/files/2018-06/perform_report_9_2010.pdf.

Massachusetts Institute of Technology found that the SBA's Paycheck Protection Program (PPP), created by P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), "increased aggregate U.S. employment by 1.4 million to 3.2 million jobs through the first week of June 2020."[7] Perhaps indicative of the methodological challenges in determining PPP's impact on employment, other estimates range from a self-reported high of 51 million jobs saved by PPP recipients to a positive, but imprecise effect on employment by economists at the National Bureau of Economic Research.[8]

During good economic times, congressional debate about the SBA typically involves the extent to which the federal government should provide the SBA additional resources to assist small businesses in acquiring capital necessary to start, continue, or expand operations and create jobs. Those opposing providing additional resources to the SBA typically worry about the long-term adverse economic effects of spending programs that increase the federal deficit. They generally advocate business tax reduction, reform of financial credit market regulation, and federal fiscal restraint as the best means to assist small business economic growth and job creation.[9]

During and immediately following recessions, concerns about fiscal constraint are typically superseded by the perceived need to help small businesses access the capital necessary to create or retain jobs. During these times of economic distress, congressional debate tends to focus on finding ways to provide additional SBA assistance to small businesses as quickly and efficiently as possible. For example, the SBA, which normally is appropriated somewhat less than $1 billion annually, received supplemental appropriations totaling $760.9 billion in FY2020 and $378.5 billion in FY2021 to assist small businesses adversely affected by the COVID-19 pandemic.[10]

This report addresses a core issue facing the 116th and 117th Congresses: What, if any, additional action should the federal government take to enhance small business access to capital? It discusses the role of small business in job creation and retention, provides an assessment of the supply and demand for small business loans, and discusses recently enacted laws designed to enhance small business access to capital by increasing the supply of small business loans, the demand for small business loans, or both.

[7] David Autor, David Cho, Leland D. Crane, Mita Goldar, Byron Lutz, Joshua Montes, William B. Peterman, David Ratner, Daniel Villar and Ahu Yildirmaz, "An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata," July 22, 2020, pp. 3, 4, at http://economics.mit.edu/files/20094.

[8] Ashley D. Bell, SBA southeast regional administrator, "PPP Save Over 51 Million Jobs," at https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/ppp-save-over-51-million-jobs; SBA, "Paycheck Protection Program (PPP) Report, Approvals through 06/30/2020," p. 4, at https://www.sba.gov/sites/default/files/2020-07/PPP%20Results%20-%20Sunday%20FINAL.pdf; and Alexander W. Bartik, Zoe B. Cullen, Edward L. Glaeser, Michael Luca, Christopher T. Stanton, and Adi Sunderam, "The Targeting and Impact of Paycheck Protection Program Loans to Small Businesses," National Bureau of Economic Research, Working Paper 27623, July 2020, p. 3, at https://www.nber.org/papers/w27623.

[9] See Susan Eckerly, "NFIB Responds to President's Small Business Lending Initiatives," Washington, DC, October 21, 2009; and National Federation of Independent Business (NFIB), "Government Spending," Washington, DC, at https://www.nfib.com/content/issues/economy/government-spending-small-businesses-have-a-bottom-line-government-should-too-49051/.

[10] For additional information and analysis of the SBA's budget, see CRS Report R43846, *Small Business Administration (SBA) Funding: Overview and Recent Trends*, by Robert Jay Dilger.

Two Indicators of the Supply and Demand for Private-Sector Small Business Loans

Federal Reserve Board: Surveys of Senior Loan Officers

Each quarter, the Federal Reserve Board surveys senior loan officers concerning their bank's lending practices. The survey includes a question concerning their bank's credit standards for small business loans: "Over the past three months, how have your bank's credit standards for approving applications for C&I [commercial and industrial] loans or credit lines—other than those to be used to finance mergers and acquisitions—for small firms (annual sales of less than $50 million) changed?" The senior loan officers are asked to indicate if their bank's credit standards have "Tightened considerably," "Tightened somewhat," "Remained basically unchanged," "Eased somewhat," or "Eased considerably." Subtracting the percentage of respondents reporting "Eased somewhat" and "Eased considerably" from the percentage of respondents reporting "Tightened considerably" and "Tightened somewhat" provides an indication of the market's supply of small business loans.

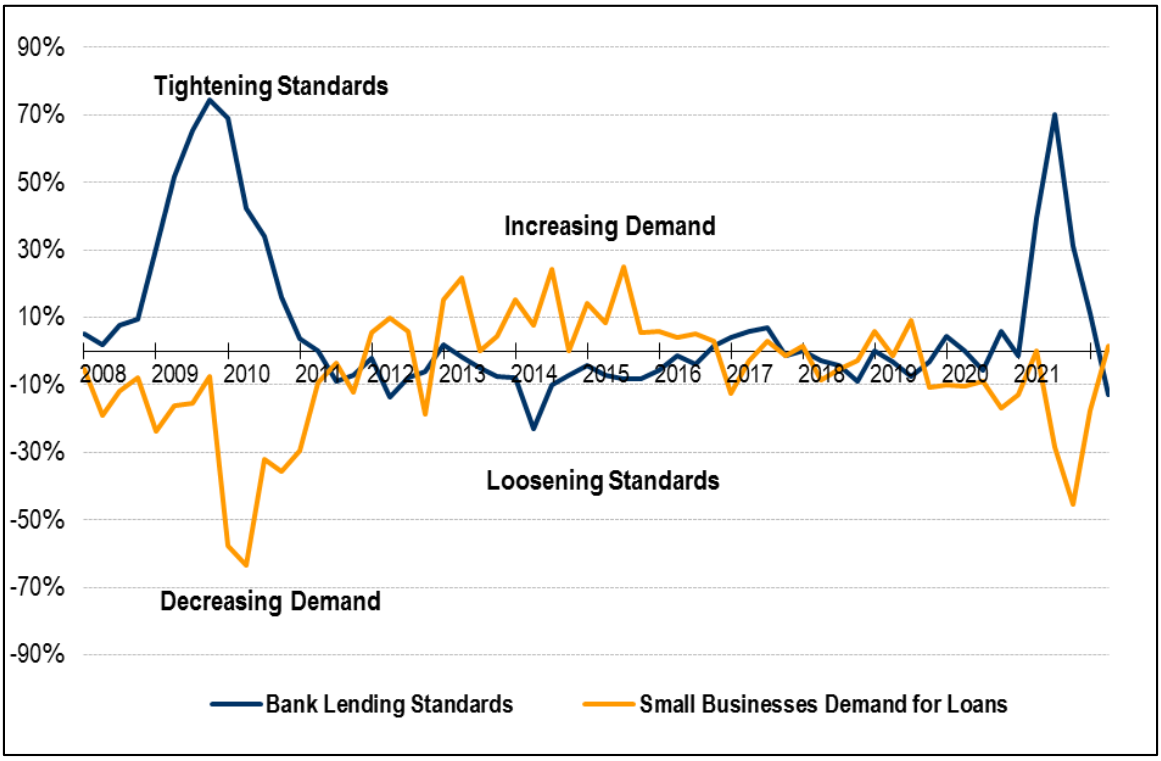
As shown in **Figure 1**, senior loan officers reported that they generally tightened their small business loan credit standards from 2008 through late 2009, generally eased their loan credit standards, with some relatively brief periods of tightening, from 2010 through 2019, and tightened their loan credit standards in 2020 and early 2021, primarily due to the COVID-19 pandemic's widespread adverse economic impact on the national economy. In April 2021, senior loan officers reported that they had eased their loan credit standards somewhat.

The survey also includes a question concerning the demand for small business loans: "Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months for small firms (annual sales of less than $50 million)?" Senior loan officers are asked to indicate if demand was "Substantially stronger," "Moderately stronger," "About the same," "Moderately weaker," or "Substantially weaker." Subtracting the percentage of respondents reporting "Moderately weaker" and "Substantially weaker" from the percentage of respondents reporting "Substantially stronger" and "Moderately stronger" indicates the market's demand for small business loans.

As shown in **Figure 1**, senior loan officers reported that the demand for small business loans declined somewhat in 2008, and declined significantly in 2009. Demand then leveled off (at a relatively reduced level) during 2010, generally increased, with some relatively brief periods of decline, from 2011 through 2019, and generally decreased in 2020 and early 2021, primarily due to the COVID-19 pandemic's widespread adverse economic impact on the national economy. In April 2021, senior loan officers reported that small business demand had increased modestly.

Figure 1. Small Business Lending Environment, 2007-2021

(senior loan officers' survey responses)



Source: Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices," at https://www.federalreserve.gov/data/sloos.htm; and Brian Headd, "Forum Seeks Solutions To Thaw Frozen Small Business Credit," *The Small Business Advocate*, vol. 28, no. 10 (December 2009), p. 3, at https://www.sba.gov/sites/default/files/The%20Small%20Business%20Advocate%20-%20December%202009.pdf.

FDIC Call Reports: Outstanding Small Business Loans

The Federal Deposit Insurance Corporation (FDIC) reports bank lending statistics on a quarterly basis drawn from the banks' Consolidated Reports of Condition and Income (Call Report).[11] The FDIC has maintained comparable small business lending data for the second quarter (June 30) of each year since 2002. **Figure 2** shows the amount of outstanding small business loans (defined by the FDIC as commercial and industrial loans of $1 million or less) for non-agricultural purposes as of June 30 of each year since 2007. As shown in **Figure 2**, the amount of outstanding small business loans for non-agricultural purposes increased from June 30, 2007, to June 30, 2008, declined over the next several years, generally increased from June 30, 2013 through June 30, 2019, and increased significantly in 2020, primarily due to the PPP, which provided more than $525 billion in loans to small businesses and nonprofit organizations from April 3, 2020, through August 8, 2020.[12]

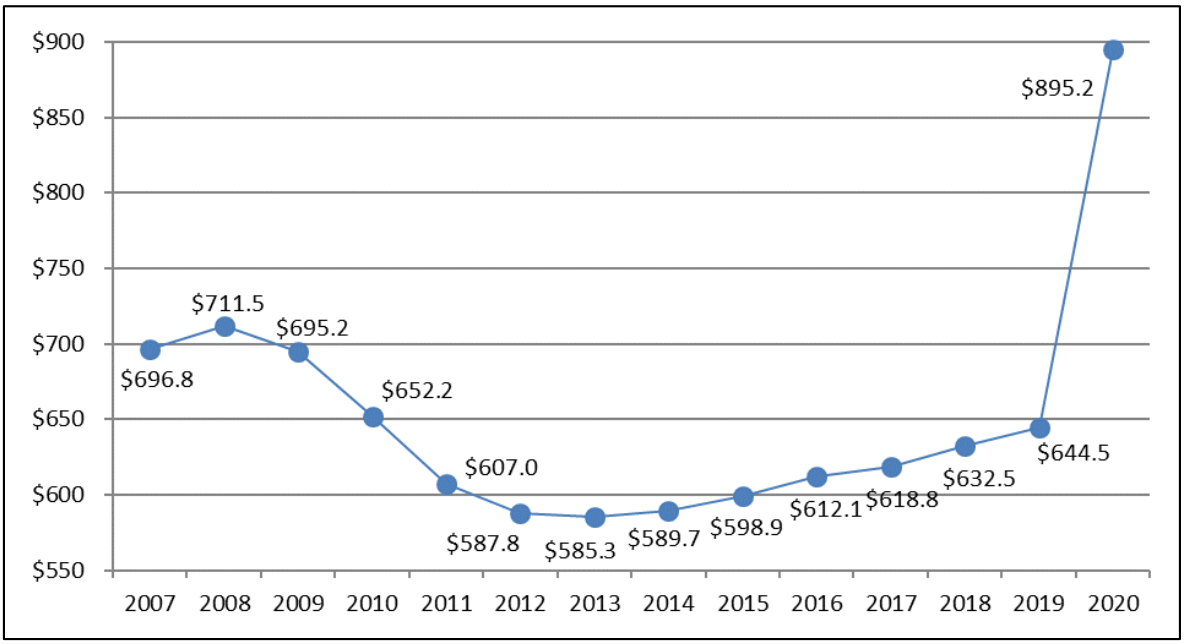
[11] Every national bank, state member bank, and insured nonmember bank is required by its primary federal regulator to file consolidated Reports of Condition and Income as of the close of business on the last day of each calendar quarter (the report date). The specific reporting requirements depend upon the size of the bank and whether it has any foreign offices.

[12] SBA, "Paycheck Protection Program (PPP) Report, Approvals through 08/08/2020," at https://home.treasury.gov/

As of March 31, 2021, small businesses had $675.9 billion in outstanding non-agricultural loans.[13]

Figure 2. Outstanding Small Business Loans, Non-Agricultural Purposes, 2007-2020

(billions of $)



Source: Federal Deposit Insurance Corporation, "Statistics on Depository Institutions, Standard Report #3," at https://www5.fdic.gov/sdi/main.asp?formname=standard.

Notes: Data as of June 30th each year. The FDIC defines a small business loan as a loan of $1 million or less. The large increase in outstanding small business loans in FY2020 is primarily due to the Paycheck Protection Program (PPP), which provided more than $525 billion in loans to small businesses and nonprofit organizations from April 3, 2020, through August 8, 2020.

Although changes in small business outstanding debt are not necessarily a result of changes in the supply of small business loans, many, including the SBA, view a decline in small business outstanding debt as a signal that small businesses might be experiencing difficulty accessing sufficient capital to enable them to lead job growth.

SBA Lending

Table 1 shows selected financial statistics for the SBA from FY2005 to FY2020. It provides an overview of the extent of the SBA's various programs to enhance small business access to capital. Final lending disbursement data for FY2020 are currently not available. As mentioned, the SBA's lending in FY2020 exceeded the amount from all of the SBA's lending programs combined over the previous 29 years.

The first column reports the total face value of non-disaster business loans that were disbursed by the SBA from FY2005 to FY2019. The second column indicates the number of non-disaster business loans approved by the SBA (after full cancellations) from FY2005 to FY2019. Each

system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf.

[13] Federal Deposit Insurance Corporation, "Statistics on Depository Institutions, Standard Report #3," at https://www5.fdic.gov/sdi/main.asp?formname=standard.

year, 7% to 10% of the loans approved by the SBA are subsequently canceled for a variety of reasons, typically by the borrower.

The third column reports the contract value of bonds guaranteed under the SBA's surety bond guarantee program.[14] A surety bond is a three-party instrument between a surety (someone who agrees to be responsible for the debt or obligation of another), a contractor, and a project owner. The agreement binds the contractor to comply with the contract's terms and conditions. If the contractor is unable to successfully perform the contract, the surety assumes the contractor's responsibilities and ensures that the project is completed. It is designed to reduce the risk of contracting with small businesses that may not have the credit history or prior experience of larger businesses. The SBA does not issue surety bonds. Instead, it provides and manages surety bond guarantees for qualified small and emerging businesses through its Surety Bond Guarantee (SBG) Program. The SBA reimburses a participating surety (within specified limits) for losses incurred due to a contractor's default on a bond.[15]

Table 1. Selected Small Business Administration Financial Statistics, FY2005-FY2020

(millions of $)

	SBA Business Loans				
Fiscal Year	Amount Disbursed[a]	Number Disbursed	Surety Bond Guarantee Contract Value	7(a) Secondary Market Guarantee Program Outstanding Principal	Unpaid Principal Loan Balance[b]
2020	NA	NA	$7,190	$33,700	$835,996
2019	$26,950	38,266	$6,480	$33,900	$143,516
2018	$29,516	57,337	$6,490	$33,400	$141,719
2017	$29,248	60,739	$6,031	$32,400	$131,483
2016	$27,057	61,518	$5,724	$28,200	$124,011
2015	$25,018	60,300	$6,348	$25,200	$118,767
2014	$22,509	51,054	$6,413	$22,500	$114,450
2013	$21,655	47,165	$6,151	$20,500	$109,771
2012	$19,656	47,386	$3,917	$19,200	$104,446
2011	$19,687	52,659	$3,607	$17,600	$99,705
2010	$14,660	52,250	$4,000	$15,500	$93,594
2009	$12,474	44,914	$2,760	$14,700	$90,477
2008	$17,441	69,043	$2,450	$14,900	$88,244
2007	$19,114	97,275	$2,250	$14,100	$84,522
2006	$18,860	94,956	$1,730	$14,600	$78,119
2005	$18,597	92,157	$908	$14,900	$71,497

Sources: U.S. Small Business Administration, "WDS Lending Report, Amount, FY2019: Disbursements by Program and Cohort," provided by the Office of Congressional and Legislative Affairs, October 18, 2018; U.S. Small Business Administration, "WDS Lending Report, Amount and Count, Summary, FY2019: Disbursements by Program and Cohort," provided by the Office of Congressional and Legislative Affairs, October 18, 2019; U.S.

[14] For further information and analysis of the SBA's surety bond guarantee program, see CRS Report R42037, *SBA Surety Bond Guarantee Program*, by Robert Jay Dilger.

[15] SBA, "Surety Bonds," at https://www.sba.gov/category/navigation-structure/loans-grants/bonds/surety-bonds.

Small Business Administration, *Agency Financial Report [various fiscal years]* (contract value of surety bonds guaranteed and 7(a) secondary market guarantee program outstanding principal); and U.S. Small Business Administration, "Unpaid Principal Balance by Program," at https://www.sba.gov/document/report—small-business-administration-loan-program-performance.

a. The amount disbursed is the amount provided to the borrower. In recent years, the SBA has guaranteed about 84%-87% of the loan amount approved.

b. Includes unpaid principal loan balance for disaster loans: $3.6 billion in FY2005, $6.8 billion in FY2006, $9.0 billion in FY2007, $8.6 billion in FY2008, $8.4 billion in FY2009, $7.9 billion in FY2010, $7.5 billion in FY2011, $7.2 billion in FY2012, $7.2 billion in FY2013, $6.8 billion in FY2014, $6.3 billion in FY2015, $6.0 billion in FY2016, $6.2 billion in FY2017, $9.0 billion in FY2018, $9.6 billion in FY2019, and $9.1 billion in FY2020.

The fourth column shows the outstanding principal balance for the SBA's 7(a) secondary market guarantee program, which is discussed later in this report. The final column reports the SBA's outstanding principal balance of loans that have not been charged off as of the end of the fiscal year. It provides a measure of the SBA's scope of lending.

As shown in **Table 1**, the amount of non-disaster small business loans disbursed by the SBA declined in FY2008 and FY2009; increased, but remained below pre-recession levels in FY2010; and has generally exceeded pre-recession levels since FY2011.[16]

The decline in the amount of small business loans guaranteed by the SBA during FY2008 and FY2009 was, at least in part, due to the following three interrelated factors:

- many lending institutions become increasingly reluctant to lend to small businesses, even with an SBA loan guarantee, as loan defaults increased due to the recession, earnings fell, and an increasing number of lending institutions failed;[17]
- the secondary market for small business loans, as with other secondary markets, began to contract in October 2008, reached its nadir in January 2009, and then began a relatively prolonged recovery.[18] The SBA estimates that about half of the

[16] The recession began in December 2007 and ended in June 2009.

[17] FDIC-insured lending institutions lost $12.9 billion in 2008, including a $37.8 billion loss in the fourth quarter, which more than erased $24.9 billion in profits during the previous three quarters. In 2009, FDIC-insured lending institutions had a net profit of $4.2 billion. See Federal Deposit Insurance Corporation, "Quarterly Banking Profile: Quarterly Net Income," at https://www5.fdic.gov/qbp/2009dec/qbp.pdf. In 2010, FDIC-insured lending institutions had $85.4 billion in net profits. See Federal Deposit Insurance Corporation, "Quarterly Banking Profile: Quarterly Net Income," at https://www5.fdic.gov/qbp/2010dec/qbp.pdf. The number of lending institutions which failed increased from 3 in 2007 to 26 in 2008, 140 in 2009 and 157 in 2010. In 2011, 92 lending institutions failed and in 2012 92 lending institutions failed. See Federal Deposit Insurance Corporation, "Failed Bank List," at http://www.fdic.gov/bank/individual/failed/banklist.html. Included in the list of failed lending institutions in 2009 was CIT Group, Inc., the nation's largest lender to small businesses at that time. See Patrice Hill, "Lender to small business bankrupt," *The Washington Post*, November 2, 2009, pp. A1, A10. CIT Group, Inc. failed on November 1, 2009.

[18] In a secondary market, loans are pooled together and packaged as securities for sale to investors. This practice makes more capital available by allowing lending institutions to remove existing loans from their balance sheets, freeing them to make new loans. When secondary credit markets constrict, lenders tend to become both less willing and less able to supply small business loans. The Federal Reserve Bank of New York, using authority provided under §13(3) of the Federal Reserve Act, created the Term Asset-Backed Securities Loan Facility (TALF) on March 3, 2009, to stabilize secondary credit markets by lending up to $200 billion to eligible owners of certain AAA-rated asset backed securities (ABS) backed by newly and recently originated auto loans, credit card loans, student loans, and SBA-guaranteed small business loans. The initial TALF subscription took place on March 19, 2009, and the last one took place in June 2010. There were 23 monthly ABS and Commercial Mortgage Backed Securities (CMBS) subscriptions. TALF supported about $58 billion of ABS and $12 billion of CMBS. See Federal Reserve Bank of New York, "Term Asset-Backed Securities Loan Facility: Terms and Conditions," New York, NY, at http://www.newyorkfed.org/markets/talf_terms.html; Federal Reserve Bank of New York, "New York Fed releases revised TALF Master Loan and Security

lenders that make SBA guaranteed loans resell them to obtain additional capital to make additional loans; and

- the demand for small business loans declined as many small business owners (and entrepreneurs considering starting a new small business) became more risk adverse during the recession.

In 2009, the number and amount of small business loans guaranteed by the SBA declined sharply early in the year, followed by modest increases during the second and third quarters, and briefly surpassed pre-recession levels in the fourth quarter as small business owners took advantage of ARRA funded fee subsidies for the SBA's 7(a) and 504/CDC loan guaranty programs and an increase in the 7(a) program's maximum loan guaranty percentage to 90%, which were expected to end by the end of the year.[19]

The SBA argued that the increase in the number and amount of small business loans it guaranteed during FY2010 was primarily due to fee subsidies and loan enhancements first put in place under ARRA and later extended by law to cover most of the fiscal year.[20] The SBA noted that its average weekly loan volume for FY2010 ($333 million) was 29% higher than its average weekly loan volume for FY2009 ($258 million).[21] Another likely factor contributing to the higher loan volume was a general improvement in the economy as the recession ended (officially in June 2009) and the economic recovery began, albeit slowly in many parts of the nation.

The demand for SBA loans increased significantly during the first quarter of FY2011 (October-December 2010), as borrowers took advantage of SBA fee subsidies that were expected to expire at the end of the calendar year. The SBA announced, on January 3, 2011, that it "approved nearly 22,000 small business loans for $10.47 billion, supporting a total of $12.16 billion in lending" during the first quarter of FY2011, which "was the highest volume in a fiscal year's first quarter than at any time in the agency's history."[22] After the fee subsidies ended, SBA lending declined during the second quarter of FY2011, and then increased somewhat during the final two quarters of FY2011. As mentioned previously, the amount of non-disaster small business loans disbursed by the SBA has continued at or above pre-recession levels since FY2011.

Agreement and appendices," press release, New York, NY, at http://www.federalreserve.gov/newsevents/press/monetary/20090303a.htm; and U.S. Department of the Treasury, "Secretary of the Treasury Timothy F. Geithner, Written Testimony Congressional Oversight Panel," press release, June 22, 2010, at http://cop.senate.gov/documents/testimony-062210-geithner.pdf.

[19] SBA, "Recovery Act Changes to SBA Loan Programs Sparked Major Mid-Year Turn-Around in Volume," October 1, 2009; and Nancy Waitz, "U.S. stimulus funds run out for lower SBA loan fees," *Reuters News*, November 24, 2009, at http://www.reuters.com/article/companyNewsAndPR/idUSN2431964620091125.

[20] SBA, "Recovery Loan Incentives Spurred Continued Rebound in SBA Lending in FY2010," October 4, 2010.

[21] Ibid.

[22] SBA, "Jobs Act Supported More Than $12 Billion in SBA Lending to Small Businesses in Just Three Months," January 3, 2011, at https://www.sba.gov/content/jobs-act-supported-more-12-billion-sba-lending-small-businesses-just-three-months.

Recent Laws Designed to Enhance the Supply of Small Business Loans

During the 110th and 111th Congresses, several laws were enacted to enhance the supply of small business loans, largely in response to the contraction of financial credit markets which started in 2008, and reached its nadir in early 2009. For example

- P.L. 110-343, the Emergency Economic Stabilization Act of 2008, was designed to enhance the supply of loans to businesses of all sizes. The act authorized the Troubled Asset Relief Program (TARP) to "restore liquidity and stability to the financial system of the United States" by purchasing or insuring up to $700 billion in troubled assets from banks and other financial institutions.[23] TARP's purchase authority was later reduced from $700 billion to $475 billion by P.L. 111-203, the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Department of the Treasury disbursed $389 billion in TARP funds, including $337 million to purchase SBA 7(a) loan guaranty program securities.[24] The authority to make new TARP commitments expired on October 3, 2010.
- P.L. 111-5 (ARRA) included several provisions to enhance the supply of loans to small businesses.[25] For example, the act
  - authorized the SBA to establish a temporary secondary market guarantee authority to provide a federal guarantee for pools of first lien 504/CDC program loans that are to be sold to third-party investors. The 504/CDC First Mortgage Loan Pooling program became operational in June 2010 and was scheduled to end on February 16, 2011, or until $3 billion in new pools are created, whichever occurred first.[26] As will be discussed, the Small Business Jobs Act of 2010 extended the program.[27]

[23] For further analysis, see CRS Report R41427, *Troubled Asset Relief Program (TARP): Implementation and Status*, by Baird Webel.

[24] U.S. Department of the Treasury, *Troubled Assets Relief Program Monthly 105(a) Report—November 2010*, December 10, 2010, pp. 2-4, at https://fraser.stlouisfed.org/docs/historical/fct/treasury/treasury_tarp_105areport_20101130.pdf. On March 16, 2009, President Obama announced that the Department of the Treasury would use TARP funds to purchase up to $15 billion of SBA-guaranteed loans to "immediately unfreeze the secondary market for SBA loans and increase the liquidity of community banks." The plan was deferred after it met resistance from lenders. Some lenders objected to TARP's requirement that participating lenders comply with executive compensation limits and issue warrants to the federal government. Smaller, community banks objected to the program's paperwork requirements, such as the provision of a small-business lending plan and quarterly reports. See The White House, "Remarks by the President to Small Business Owners, Community Leaders, and Members of Congress," March 16, 2009.

[25] For further analysis, see CRS Report R40728, *Small Business Tax Benefits and the American Recovery and Reinvestment Act of 2009*, by Gary Guenther, and CRS Report R41385, *Small Business Legislation During the 111th Congress*, by Robert Jay Dilger and Gary Guenther (out of print; available to congressional clients upon request).

[26] SBA, "SBA Creates Secondary Market Guarantee Program for 504 First Mortgage Loan Pools," October 28, 2009; U.S. Government Accountability Office, *Recovery Act: Project Selection and Starts Are Influenced by Certain Federal Requirements and Other Factors*, GAO-10-383, February 10, 2010, p. 23, at http://www.gao.gov/new.items/d10383.pdf; and SBA, "New First Mortgage Loan Poolers Will Jump-Start Secondary Market for SBA 504 Loans, Make Credit More Available," June 24, 2010, at https://www.sba.gov/content/new-first-mortgage-loan-poolers-will-jump-start-secondary-market-sba-504-loans-make-credit.

[27] SBA, "The American Recovery and Reinvestment Act of 2009: Secondary Market First Lien Position 504 Loan Pool Guarantee," 74 *Federal Register* 56087, October 30, 2009; and SBA, "New First Mortgage Loan Poolers Will Jump-Start Secondary Market for SBA 504 Loans, Make Credit More Available, June 24, 2010, at https://www.sba.gov/

- authorized the SBA to make below market interest rate direct loans to SBA-designated "Systemically Important Secondary Market (SISM) Broker-Dealers" to purchase SBA-guaranteed loans from commercial lenders, assemble them into pools, and sell them to investors in the secondary loan market. The SBA established the Direct Loan Program for Systemically Important Secondary Market Broker-Dealers on November 19, 2009.[28]
- provided $255 million for a temporary, two-year small business stabilization program to guarantee loans of $35,000 or less to small businesses for qualified debt consolidation, later named the America's Recovery Capital (ARC) Loan program (the program ceased issuing new loan guarantees on September 30, 2010); $15 million for the SBA's surety bond program, and temporarily increased the maximum bond amount from $2 million to $5 million, and up to $10 million under certain conditions (the higher maximum bond amounts ended on September 30, 2010); $6 million for the SBA's Microloan program's lending program and $24 million for the Microloan program's technical assistance program; and increased the funds ("leverage") available to SBA-licensed Small Business Investment Companies (SBICs) to no more than 300% of the company's private capital or $150,000,000, whichever is less.
- authorized the SBA to guarantee 504/CDC loans used to refinance business expansion projects as long as the existing indebtedness did not exceed 50% of the project cost of the expansion and the borrower met specified requirements.

- P.L. 111-240, enacted after the financial credit markets had stabilized, included several provisions designed to enhance the supply of loans to small businesses. For example, the act
  - authorized the Secretary of the Treasury to establish a $30 billion Small Business Lending Fund (SBLF) to encourage community banks to provide small business loans ($4 billion was issued) and a $1.5 billion State Small Business Credit Initiative (SSBCI) to provide funding to participating states with small business capital access programs.[29]
  - extended the SBA's secondary market guarantee authority from two years after the date of ARRA's enactment to two years after the date of the program's first sale of a pool of first lien position 504/CDC loans to a third-party investor (which took place on September 24, 2010).[30]
  - authorized $22.5 million for a temporary, three-year Small Business Intermediary Lending Pilot Program to provide direct loans to intermediaries which provide loans to small business startups, newly established small businesses, and growing small businesses. On August 4, 2011, the SBA

content/new-first-mortgage-loan-poolers-will-jump-start-secondary-market-sba-504-loans-make-credit.

[28] SBA, "American Recovery and Reinvestment Act: Loan Program for Systemically Important SBA Secondary Market Broker-Dealers," 74 *Federal Register* 59891, November 19, 2009.

[29] For further analysis of the Small Business Lending Fund, see CRS Report R42045, *The Small Business Lending Fund*, by Robert Jay Dilger. For a further analysis of the State Small Business Credit Initiative, see CRS Report R42581, *State Small Business Credit Initiative: Implementation and Funding Issues*, by Robert Jay Dilger.

[30] SBA, Office of Congressional and Legislative Affairs, correspondence with the author, January 4, 2010.

announced the first 20 community lenders which were selected to participate in the program.[31]

- authorized $15 million in additional funding for the SBA's 7(a) loan guaranty program.
- increased the loan guarantee limits for the SBA's 7(a) program from $2 million to $5 million, and for the 504/CDC program from $1.5 million to $5 million for "regular" borrowers, from $2 million to $5 million if the loan proceeds are directed toward one or more specified public policy goals, and from $4 million to $5.5 million for manufacturers.
- increased the SBA's Microloan program's loan limit for borrowers from $35,000 to $50,000 and for microlender intermediaries after their first year in the program from $3.5 million to $5 million.[32]
- temporarily increased for one year the SBA 7(a) Express Program's loan limit from $350,000 to $1 million (the temporary increase expired on September 26, 2011).
- required the SBA to establish an on-line lending platform listing all SBA lenders and information concerning their loan rates.
- authorized the SBA to temporarily guarantee for two years, under specified circumstances, 504/CDC loans that refinance existing business debt even if the project does not involve the expansion of the business.

For additional details concerning the Small Business Jobs Act of 2010, see **Table A-1** in the **Appendix**.

During the 112th Congress, P.L. 112-106, the Jumpstart Our Business Startups Act (JOBS Act), established "a regulatory structure for startups and small businesses to raise capital through securities offerings using the Internet through crowdfunding."[33] The JOBS Act's crowdfunding provisions "were intended to help provide startups and small businesses with capital by making relatively low dollar offerings of securities, featuring relatively low dollar investments by the 'crowd,' less costly."[34]

On November 16, 2015, the Securities and Exchange Commission (SEC) published a final rule, effective May 16, 2016, to implement the JOBS Act's crowdfunding provisions (e.g., the SEC established limits on the amount of money an issuer can raise and individual investors can invest over a 12-month period under the crowdfunding exemption to the securities laws,[35] imposed

[31] SBA, "Small Businesses Have New Non-Profit Sources for SBA-financed Loans," August 4, 2011, at https://www.sba.gov/content/small-businesses-have-new-non-profit-sources-sba-financed-loans.

[32] The act also temporarily allowed the SBA to waive, in whole or in part, for successive fiscal years, the nonfederal share requirement for loans to the Microloan program's intermediaries and for grants made to Microloan intermediaries for small business marketing, management, and technical assistance under specified circumstances (e.g., the economic conditions affecting the intermediary). See, the Small Business Jobs Act of 2010, §1401. Matching Requirements Under Small Business Programs.

[33] Securities and Exchange Commission, "Crowdfunding," 80 *Federal Register* 71388, November 16, 2015.

[34] Ibid.

[35] The rule will "... Permit a company to raise a maximum aggregate amount of $1 million through crowdfunding offerings in a 12-month period; Permit individual investors, over a 12-month period, to invest in the aggregate across all crowdfunding offerings up to: If either their annual income or net worth is less than $100,000, than the greater of: $2,000 or 5% of the lesser of their annual income or net worth. If both their annual income and net worth are equal to or more than $100,000, 10% of the lesser of their annual income or net worth; and During the 12-month period, the

disclosure requirements on the issuer's business and securities offering, and created a regulatory framework for the broker-dealers and funding portals that facilitate the crowdfunding transactions).[36]

During the 113th Congress, P.L. 113-76, the Consolidated Appropriations Act, 2014, included a provision increasing the annual authorization amount for the SBA's Small Business Investment Company (SBIC) program to $4 billion from $3 billion. The SBIC program provides privately owned and managed SBA-licensed SBICs loans at favorable rates (called leverage), and, in exchange, the SBICs provide equity capital to small businesses in various ways, including by purchasing small business equity securities (e.g., stock, stock options, warrants), making loans to small businesses, purchasing debt securities from small businesses, and providing small businesses, subject to limitations, a guarantee of their monetary obligations to creditors not associated with the SBIC.[37]

During the 114th Congress

- P.L. 114-38, the Veterans Entrepreneurship Act of 2015, increased the supply of 7(a) loans by increasing the program's FY2015 authorization limit of $18.75 billion (on disbursements) to $23.5 billion. The increased authorization amount was necessary to accommodate an unexpected increase in the demand for SBA loans.
- P.L. 114-113, the Consolidated Appropriations Act, 2016, further increased the 7(a) program's authorization limit to $26.5 billion for FY2016. The act also increased the supply of 504/CDC loans by expanding the projects eligible for refinancing under the program in any fiscal year in which the refinancing program and the 504/CDC program as a whole do not have credit subsidy costs. The act generally limited the expanded refinancing to no more than 50% of the dollars loaned under the 504/CDC program during the previous fiscal year. The act also increased the supply of SBIC financings by increasing the SBIC program's family of funds limit (the maximum amount of outstanding leverage allowed for two or more SBIC licenses under common control) to $350 million from $225 million.

During the 115th Congress

- P.L. 115-187, the Small Business Investment Opportunity Act of 2017, increased the maximum amount of outstanding leverage allowed for individual SBICs to $175 million from $150 million.
- P.L. 115-31, the Consolidated Appropriations Act, 2017, increased the 7(a) program's authorization limit to $27.5 billion for FY2017 from $26.5 billion in FY2016 and P.L. 115-141, the Consolidated Appropriations Act, 2018, increased the 7(a) program's authorization limit to $29.0 billion for FY2018.

During the 116th Congress

- P.L. 116-6, the Consolidated Appropriations Act, 2019, increased the 7(a) program's authorization limit to $30.0 billion for FY2019; P.L. 116-93, the

aggregate amount of securities sold to an investor through all crowdfunding offerings may not exceed $100,000. See Securities and Exchange Commission, press release, "SEC Adopts Rules to Permit Crowdfunding," October 30, 2015, at http://www.sec.gov/news/pressrelease/2015-249.html.

[36] Ibid.

[37] 13 C.F.R. §107.820.

Consolidated Appropriations Act, 2020, maintained the 7(a) program's authorization limit at $30.0 billion for FY2020; and P.L. 116-159, the Continuing Appropriations Act, 2021 and Other Extensions Act, continued the 7(a) program's authorization limit at $30 billion in FY2021 (through December 11, 2020).

- P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), among other provisions, provided $349 billion (later increased to $813.7 billion) to support SBA's Section 7(a) lending programs and create a new Paycheck Protection Program (PPP). PPP loans have a 100% SBA loan guarantee, a 10-year maximum term, and a not-to-exceed 4% interest rate to assist small businesses, small 501(c)(3) nonprofit organizations, and small 501(c)(19) veterans organizations that have been adversely affected by COVID-19. Loan deferment and forgiveness are provided under specified conditions. The loans were originally available through June 30, 2020, and had a two-year term at 1% interest. For additional details concerning the CARES Act, see **Table A-2** in the **Appendix**.
- P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act (Enhancement Act), among other provisions, increased the SBA's Section 7(a) lending programs authorization limit to $659 billion and appropriated an additional $321.335 billion for the PPP.
- P.L. 116-147, to extend the authority for commitments for the paycheck protection program, extended the PPP covered loan period from June 30, 2020, to August 8, 2020, and authorized $659 billion for PPP loan commitments and $30 billion for 7(a) loan commitments.
- P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), enacted on December 27, 2020, among other provisions, restarted the acceptance of PPP loan applications and extended the application window through March 31, 2021, increased the program's authorization amount from $659 billion to $806.45 billion, and authorized second-draw PPP loans of up to $2 million.

During the 117th Congress

- P.L. 117-2, the American Rescue Plan Act of 2021, among other provisions, increased the PPP authorization amount to $813.7 billion and provided $53.6 billion for SBA program enhancements, including $28.6 billion for a restaurant revitalization grant program.
- P.L. 117-6, the PPP Extension Act of 2021, extended the acceptance of PPP applications through May 31, 2021, and authorized the SBA to process any pending applications submitted on or before that date through June 30, 2021.

As of May 31, 2021, the SBA had approved, after cancellations, over 11.8 million PPP loans totaling nearly $800 billion.[38] For comparative purposes, that loan approval amount is more than the amount the SBA had approved in all of its loan programs, including disaster loans, during the

[38] SBA, "PPP Data: Approval Summary as of May 31, 2021," at https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/ppp-data.

29 years prior to the pandemic (from October 1, 1991, through December 31, 2019; $509.9 billion).[39]

Recent Laws Designed to Enhance the Demand for Small Business Loans

ARRA provided the SBA $375 million to subsidize fees for the SBA's 7(a) and 504/CDC loan guaranty programs and to increase the 7(a) program's maximum loan guaranty percentage from up to 85% of loans of $150,000 or less and up to 75% of loans exceeding $150,000 to 90% for all regular 7(a) loans through September 30, 2010, or when appropriated funding for the subsidies and loan modification was exhausted. The fee subsidies were designed to increase the demand for SBA loans by reducing loan costs.

ARRA's funding for the fee subsidies and 90% maximum loan guaranty percentage was about to be exhausted in November 2009, when Congress passed the first of six laws to extend the loan subsidies and 90% maximum loan guaranty percentage:

- P.L. 111-118, the Department of Defense Appropriations Act, 2010, provided the SBA $125 million to continue the fee subsides and 90% maximum loan guaranty percentage through February 28, 2010.
- P.L. 111-144, the Temporary Extension Act of 2010, provided the SBA $60 million to continue the fee subsides and 90% maximum loan guaranty percentage through March 28, 2010.
- P.L. 111-150, an act to extend the Small Business Loan Guarantee Program, and for other purposes, provided the SBA authority to reprogram $40 million in previously appropriated funds to continue the fee subsides and 90% maximum loan guaranty percentage through April 30, 2010.
- P.L. 111-157, the Continuing Extension Act of 2010, provided the SBA $80 million to continue the SBA's fee subsides and 90% maximum loan guaranty percentage through May 31, 2010.
- P.L. 111-240, the Small Business Jobs Act of 2010, provided $505 million (plus an additional $5 million for administrative expenses) to continue the SBA's fee subsides and 90% maximum loan guaranty percentage from the act's date of enactment (September 27, 2010) through December 31, 2010.
- P.L. 111-322, the Continuing Appropriations and Surface Transportation Extensions Act, 2011, authorizes the SBA to use funds provided under the Small Business Jobs Act of 2010 to continue the SBA's fee subsides and 90% maximum loan guaranty percentage through March 4, 2011, or until available funding is exhausted.

On January 3, 2011, the SBA announced that funding for the fee subsidies and 90% maximum loan guaranty percentage had been exhausted.[40]

[39] SBA, "WDS Lending Data File," October 18, 2019; and SBA, "Small Business Administration loan program performance: Table 2 - Gross Approval Amount by Program, December 31, 2019," at https://www.sba.gov/document/report-small-business-administration-loan-program-performance.

[40] SBA, "Jobs Act Supported More Than $12 Billion in SBA Lending to Small Businesses in Just Three Months," January 3, 2011, at https://www.sba.gov/content/jobs-act-supported-more-12-billion-sba-lending-small-businesses-just-

ARRA also included 11 tax relief provisions that have the potential to benefit small businesses in a broad range of industries.[41] By reducing costs, it could be argued that providing tax relief for small businesses may lead to increased demand for small business loans because small business owners have additional resources available to invest in their business. The following five ARRA tax provisions provided about $5.7 billion in tax relief and were targeted at small businesses, whereas the other ARRA tax provisions were available to businesses of all sizes:

- allowed businesses with $15 million or less in average annual gross receipts in the past three years to carry back net operating losses from 2008 for up to five years instead of two years.
- extended through 2009 the enhanced expensing allowance, which allows businesses to deduct up to $250,000 of the cost of eligible assets placed in service in 2009, within certain limits.
- increased the exclusion of the gain on the sale of small business stock to 75% (instead of 50%) of any gain realized on the sale of eligible small business stock acquired between February 18, 2009, and December 31, 2010.
- reduced the recognition period from 10 years to seven years for corporate tax on sale of appreciated assets in 2009 or 2010 by S corporations that once were organized as C corporations.
- allowed individuals who had an adjusted gross income in 2008 of less than $500,000 and can prove that over half their income came from a small business to base their estimated tax payments for 2009 on 90% of their tax liability for 2008.

P.L. 111-240 was designed to increase the demand for SBA loans by providing $505 million (plus an additional $5 million for related administrative expenses) to temporarily subsidize SBA's fees and increase the 7(a) program's maximum loan guaranty percentage to 90%. The act also required the SBA to establish an alternative size standard for the SBA's 7(a) and 504/CDC loan guaranty programs that uses maximum net worth and average net income as an alternative to the use of industry standards. It also established the following interim alternative size standard for both the 7(a) and 504/CDC programs: the business qualifies as small if it does not have a tangible net worth in excess of $15 million and does not have an average net income after federal taxes (excluding any carry-over losses) in excess of $5 million for two full fiscal years before the date of application. These changes were designed to increase the demand for small business loans by increasing the number of small businesses that are eligible for SBA assistance.[42]

P.L. 111-240 also provided small businesses with about $12 billion in tax relief. The act

- raised the exclusion of gains on the sale or exchange of qualified small business stock from the federal income tax to 100%, with the full exclusion applying only to stock acquired the day after the date of enactment through the end of 2010;
- increased the deduction for qualified start-up expenditures from $5,000 to $10,000 in 2010, and raised the phaseout threshold from $50,000 to $60,000 for 2010;

three-months.

[41] For further analysis, see CRS Report R40728, *Small Business Tax Benefits and the American Recovery and Reinvestment Act of 2009*, by Gary Guenther.

[42] For further analysis, see CRS Report R40860, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*, by Robert Jay Dilger.

- placed limitations on the penalty for failure to disclose reportable transactions based on resulting tax benefits;
- allowed general business credits of eligible small businesses for 2010 to be carried back five years;
- exempted general business credits of eligible small businesses in 2010 from the alternative minimum tax;
- allowed a temporary reduction in the recognition period for built-in gains tax;
- increased expensing limitations for 2010 and 2011 and allowed certain real property to be treated as Section 179 property;
- allowed additional first-year depreciation for 50% of the basis of certain qualified property; and
- removed cellular telephones and similar telecommunications equipment from listed property so their cost can be deducted or depreciated like other business property.[43]

As mentioned earlier, P.L. 114-38 authorized and made permanent the Obama Administration's waiver of the up-front, one-time loan guaranty fee for veteran loans under the SBAExpress loan guaranty program beginning on or after October 1, 2015, except during any upcoming fiscal year for which the President's budget, submitted to Congress, includes a credit subsidy cost for the 7(a) program, in its entirety, that is above zero.[44] This fee waiver is designed to encourage veterans to apply for a small business loan.

This fee was waived administratively the latter half of FY2014 and during FY2015, and was waived statutorily from FY2016 through FY2019. During the 116th Congress, P.L. 116-136 (the CARES Act), permanently eliminated the zero subsidy requirement.

The CARES Act and succeeding small business relief legislation enacted during the 116th Congress also encouraged the demand for SBA loans by making PPP loans forgivable, waiving SBA fees, relaxing PPP and EIDL underwriting standards, deferring PPP and EIDL loan payments, and approving debt relief payments for 7(a), 504/CDC, and Microloan borrowers.[45]

Discussion

As mentioned, during relatively good economic times, congressional debate concerning the SBA typically involves the extent to which the SBA should be provided additional resources to assist small businesses in accessing capital as a means to create jobs and promote national economic growth. Those opposing these efforts typically worry about the long-term adverse economic effects of spending programs that increase the federal deficit. They also point to surveys of small business firms conducted by the National Federation of Independent Business (NFIB), which suggest that during relatively good economic times small business owners consistently place

[43] For further analysis of the Small Business Jobs Act of 2010's, tax provisions, see CRS Report R41385, *Small Business Legislation During the 111th Congress*, by Robert Jay Dilger and Gary Guenther (out of print; available to congressional clients upon request).

[44] U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship Act of 2015*, report to accompany H.R. 2499, 114th Cong., 1st sess., June 25, 2015, (Washington: GPO, 2015), p. 9.

[45] See CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry; and CRS Report R46397, *SBA Paycheck Protection Program (PPP) Loan Forgiveness: In Brief*, by Robert Jay Dilger and Sean Lowry.

financing issues near the bottom of their most pressing concerns.[46] Instead of increasing federal funding for the SBA, opponents tend to advocate for small business tax reduction, reform of financial credit market regulation, and federal fiscal restraint as the best means to assist small businesses and foster increased levels of economic growth and job creation.[47]

As mentioned, during and immediately following recessions, concerns about fiscal restraint are typically superseded by the perceived need to provide additional SBA assistance as quickly and efficiently as possible. For example, during the 111th Congress, ARRA and the Small Business Jobs Act of 2010 were designed to address disruptions to the credit markets during the Great Recession (2007-2009) and the difficulties small businesses had in recovering from that recession. During the 116th Congress, the CARES Act was designed to address the widespread economic disruptions caused by the COVID-19 pandemic, which included forced shutdowns of many small businesses across the country, disruptions to supply chains, significantly reduced foot traffic at many firms due to social distancing, and reduced consumer demand as unemployment levels increased significantly, leading many consumers to reduce spending.

The CARES Act's PPP lending program is unique in several respects. First, it is, by far, the largest SBA lending program in the agency's history. Second, the PPP provides loans to nonprofit organizations, expanding the SBA's impact beyond small businesses. Third, by waiving affiliation rules in specified circumstances (e.g., for NAICS Code 72, accommodation and food services industries), the PPP assists businesses that otherwise would not be eligible for SBA assistance because of their size. Fourth, PPP loan payments are not only deferred for up to 16 months, but the loan can be forgiven, in whole or in part, if the borrower uses the proceeds in a prescribed manner (at least 60% on payroll, with the remainder on mortgage interest, rent or utilities, subject to reductions based on employment and wage retention over either an eight-week period or a 24-week period depending on when the loan was originated).

Although Congress, as a whole, has not passed legislation to require the SBA to resume direct lending for general business purposes, there have been proposals over the years, especially during and immediately following rescissions, to require the SBA to exercise its statutory authority to make direct business loans. The SBA limited the eligibility for direct business loans in 1984, 1994, and 1996 as a means to reduce costs. Until October 1, 1985, the SBA provided direct business loans to qualified small businesses. From October 1, 1985, to September 30, 1994, SBA direct business loan eligibility was limited to qualified small businesses owned by individuals with low income or located in an area of high unemployment, owned by Vietnam-era or disabled veterans, owned by the handicapped or certain organizations employing them, or certified under the minority small business capital ownership development program. Microloan program intermediaries were also eligible.[48] On October 1, 1994, SBA direct loan eligibility was limited to

[46] Bruce D. Phillips and Holly Wade, *Small Business Problems and Priorities* (Washington, DC: NFIB Research Foundation, June 2008), p. 5, at http://www.nfib.com/Portals/0/ProblemsAndPriorities08.pdf; Holly Wade, *Small Business Problems and Priorities* (Washington, DC: NFIB Research Foundation, August 2012), pp. 2, 5, 14, at https://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/small-business-problems-priorities-2012-nfib.pdf; and Holly Wade, *Small Business Problems and Priorities* (Washington, DC: NFIB Research Foundation, August 2016), at https://www.nfib.com/assets/NFIB-Problems-and-Priorities-2016.pdf.

[47] Susan Eckerly, "NFIB Responds to President's Small Business Lending Initiatives," Washington, DC, October 21, 2009; and NFIB, "Government Spending," Washington, DC, at https://www.nfib.com/content/issues/economy/government-spending-small-businesses-have-a-bottom-line-government-should-too-49051/.

[48] U.S. Congress, House Committee on Small Business, *Summary of Activities*, 103rd Cong., 2nd sess., January 2, 1995, H.Rept. 103-885 (Washington: GPO, 1995), p. 8; and U.S. Congress, Senate Committee on Small Business, *Hearing on the Proposed Fiscal Year 1995 Budget for the Small Business Administration*, 103rd Cong., 2nd sess., February 22, 1994, S. Hrg. 103-583 (Washington: GPO, 1994), p. 20.

Microloan program intermediaries and to small businesses owned by the handicapped. Funding to support direct loans to the handicapped through the Handicapped Assistance (renamed the Disabled Assistance) Loan program ended in 1996. The last loan issued under the Disabled Assistance Loan program took place in FY1998.[49] The SBA currently offers direct business loans only to Microloan program intermediaries.

Advocates for a small business direct lending program have argued that such a program would provide "rapid access to much-needed capital without having to face the administrative delays posed by the current Small Business Administration lending process."[50] Advocates of a temporary SBA direct lending program argued that such a program was necessary during periods of economic difficulty because

> In prosperous times, small businesses are able to shop around to different lenders to find the best available terms and conditions for a loan. But in times of economic downturns, those same lenders aren't as willing to lend to small businesses. More than ever during these times, it's the government's responsibility to step in to help small businesses access the loans they need to keep their businesses running and workers employed.[51]

Opponents of a small business direct lending program argue that the SBA's mission is to augment the private sector by guaranteeing loans, not compete with it by providing direct loans to small businesses.[52] They also argue that these loans hold greater risk than most; otherwise the private sector would accept them. They worry that SBA defaults may increase, resulting in added expense, either to taxpayers in the form of additional appropriations or to other small business borrowers in the form of higher fees, to cover the defaults.[53] They argue that the SBA stopped offering direct loans in 1995, primarily because the subsidy rate was "10 to 15 times higher than that of our guaranty programs."[54] They also assert that providing direct loans to small businesses might invite corruption. They note that the Reconstruction Finance Corporation (RFC), the SBA's predecessor, made direct loans to business and was accused of awarding loans based on the applicant's political connections or personal ties with RFC loan officers.[55] Opponents also argue that the SBA does not have the human, physical, and technical resources to make direct loans.

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[49] U.S. Congress, House Committee on Small Business, *Summary of Activities*, 105rd Cong., 2nd sess., January 2, 1999, H.Rept. 105-849 (Washington: GPO, 1999), p. 8.

[50] Dan Gerstein, "Big Stimulus For Small Business, A new direct lending program would benefit millions," *Forbes.com*, January 14, 2009; Sharon McLoone, "Landrieu: Small Business to Benefit from Economic Plan," *The Washington Post*, February 6, 2009; George Dooley, "ASTA Renews Call For SBA Direct Lending Program," American Society of Travel Agents, Washington, DC, February 18, 2009; and Anne Kim, Ryan McConaghy, and Tess Stovall, "Federal Direct Loans to Small Businesses," *Third Way Idea Brief*, Washington, DC, April 2009.

[51] Anne Kim, Ryan McConaghy, and Tess Stovall, "Federal Direct Loans to Small Businesses," *Third Way Idea Brief*, Washington, DC, April 2009.

[52] Sue Malone, *Myth: The SBA will make direct loans under the stimulus bill*, Strategies For Small Business, Danville, CA, March 12, 2009.

[53] Representative Jeff Flake, "Providing for Consideration of H.R. 3854, Small Business Financing and Investment Act of 2009," House debate, *Congressional Record*, daily edition, vol. 155, no. 159 (October 29, 2009), pp. H12070, H 12072.

[54] U.S. Congress, Senate Committee on Small Business, *Hearing on the Proposed Fiscal Year 1995 Budget for the Small Business Administration*, 103rd Cong., 2nd sess., February 22, 1994, S. Hrg. 103-583 (Washington: GPO, 1994), p. 20.

[55] Representative Jeff Flake, "Providing for Consideration of H.R. 3854, Small Business Financing and Investment Act of 2009," House debate, *Congressional Record*, daily edition, vol. 155, no. 159 (October 29, 2009), pp. H12070, H 12072.

SBA Funding

As shown in **Table 2**, the SBA's appropriations have varied significantly since FY2005, ranging from $571.8 million in FY2007 to over $761.9 billion in FY2020.[56] Much of this volatility is due to significant variation in supplemental appropriations for (1) disaster assistance, typically to address damages caused by major hurricanes, and (2) SBA program enhancements to help small businesses access capital during and immediately following recessions. These funds were provided to help small businesses sustain operations and retain employees.

The SBA's appropriations are separated into four categories in **Table 2** (disaster assistance, disaster assistance supplemental, business loan credit subsidies, and other programs) because the need for disaster assistance is largely beyond congressional control and expenditures for business loan credit subsidies tend to vary with changes in the national economy, and, for FY2020 and FY2021, for PPP loan forgiveness. As a result, it could be argued that comparisons of SBA appropriations over time can be made more meaningful if those comparisons include appropriations for all four categories of spending.

Table 2. Small Business Administration Appropriations, FY2005-FY2022

(millions of $)

Fiscal Year	Disaster Assistance	Disaster Assistance Supplemental	Business Loan Credit Subsidies	Other Programs	Appropriation
2022 request	$178.0	$0.0	$6.0	$811.5	$995.5
2021	$168.1	$35,460.0	$297,145.0	$46,723.7	$379,496.7
2020	$177.1	$70,582.0	$687,439.0	$3,782.4	$761,980.5
2019	$10.0	$0.0	$4.0	$701.4	$715.4
2018	$0.0	$1,659.0	$3.4	$697.4	$2,359.8
2017	$186.0	$450.0	$4.3	$696.5	$1,336.8
2016	$186.9	$0.0	$3.3	$680.8	$871.0
2015	$186.9	$0.0	$47.5	$653.2	$887.6
2014	$191.9	$0.0	$111.6	$625.4	$928.9
2013	$111.2	$740.0	$319.7	$583.6	$1,754.5[a]
2012	$117.3	$0.0	$210.8	$590.7	$918.8
2011	$45.4	$0.0	$82.8	$601.5	$729.7[b]
2010	$78.2	$0.0	$83.0	$1,625.3[c]	$1,786.5
2009	$0.0[d]	$0.0	$8.5[e]	$1,336.7[f]	$1,345.2
2008	$0.0	$1,052.8	$2.0	$579.9	$1,634.7
2007	$114.9	$0.0	$1.3	$455.6	$571.8[g]
2006	$0.0	$1,700.0	$1.3	$532.1	$2,233.4[h]
2005	$111.8	$929.0	$1.4	$498.0	$1,540.2[i]

[56] Program costs and expenditures typically differ from new budget authority provided by appropriations due to the carryover of budget authority either from the previous fiscal year or into the next fiscal year or to program transfers.

Sources: P.L. 106-113, the Consolidated Appropriations Act, 2000; P.L. 106-554, the Consolidated Appropriations Act, 2001; P.L. 107-206, the 2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States; U.S. Small Business Administration (SBA), Congressional Budget Justification, [FY2002-FY2009]; U.S. Small Business Administration, Congressional Budget Justification, [FY2010-FY2021], at https://www.sba.gov/document/report—congressional-budget-justification-annual-performance-report; P.L. 115-31, the Consolidated Appropriations Act, 2017; P.L. 115-56, the Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017; P.L. 115-123, the Bipartisan Budget Act of 2018; P.L. 115-141, the Consolidated Appropriations Act, 2018; P.L. 116-6, the Consolidated Appropriations Act, 2019; P.L. 116-93, the Consolidated Appropriations Act, 2020; P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act; P.L. 116-260, the Consolidated Appropriations Act, 2021; and P.L. 117-2, the American Rescue Plan Act of 2021.

Notes:

a. Implementation of P.L. 112-25 and P.L. 113-6 imposed a federal government-wide sequestration process and a required 0.2% across-the-board rescission in FY2013. The SBA's FY2013 appropriation was reduced by $92.681 million under sequestration and $2.091 million by the rescission. Prior to these reductions, the SBA's FY2013 appropriation was $897.3 million for disaster assistance, $337.3 million for loan credit subsidies, $615.7 million for other programs, and $1,850.3 million in total.

b. The SBA's FY2011 appropriation of $731.201 million ($45.5 million for SBA disaster assistance, $83.0 million for business loan subsidies, and $602.7 million for other SBA programs) was reduced to $729.738 million by a 0.2% across-the-board rescission imposed on most appropriations accounts by P.L. 112-10.

c. The initial appropriation for other programs in FY2010 was $662.8 million. An additional $962.5 million was provided: $775.0 million in temporary funding for 7(a) and 504/Certified Development Company (CDC) loan guaranty program fee subsidies and loan modifications and $187.5 million for other SBA programs. P.L. 111-118 provided $125 million; P.L. 111-144 provided $60 million; P.L. 111-157 provided $80 million; and P.L. 111-240 provided $510 million to provide temporary fee subsidies for the SBA's 7(a) and 504/CDC loan guaranty programs and to temporarily increase the 7(a) program's maximum loan guaranty percentage from up to 85% of loans of $150,000 or less and up to 75% of loans exceeding $150,000 to 90% for all 7(a) loans. P.L. 111-240 extended the subsidies and 90% loan guaranty through December 31, 2010, and provided $187.5 million for other SBA programs that remained available through FY2011. Also, P.L. 111-150 authorized the SBA to use $40 million in previously appropriated funds for fee subsidies and the 7(a) loan modification.

d. SBA disaster assistance funding in FY2009 was carried over from the previous fiscal year.

e. The initial appropriation for business loan credit subsidies in FY2009 was $2.5 million for direct (Microloan) lending. P.L. 111-5 provided another $6 million for credit subsidies for the Microloan program to remain available through September 30, 2010.

f. The initial appropriation for other programs in FY2009 was $612.7 million. P.L. 111-5 provided $6 million for Microloan credit subsidies and $724 million for other SBA programs, including $375 million for loan fee subsidies and loan modifications for the 7(a) and 504/CDC programs and $255 million for a new, temporary small business stabilization program, later named the America's Recovery Capital (ARC) Loan program.

g. Includes reductions by P.L. 109-108 and P.L. 110-5, which rescinded $13.5 million of unobligated balances from the SBA ($6.192 million from unobligated disaster assistance administrative expenses, $5.031 million from unobligated balances in the (7a) general business loan guaranty program, and $2.323 million from unobligated balances in the direct loans program).

h. Includes reductions by P.L. 109-148, which imposed a rescission of 1.0% on federal agencies, resulting in a reduction of $6.992 million from the SBA ($0.017 million from business loan subsidies, $5.160 million from salaries and expenses, $1.600 from business loan administration, $0.178 million from the OIG, and $0.037 million from the surety bond program).

i. Includes reductions by P.L. 108-447, which imposed a 0.8% rescission on federal agencies, resulting in a reduction of $8.277 million from the SBA ($1.395 million from disaster assistance, $0.019 million from business loan subsidies, $4.951 million from salaries and expenses, $1.692 from business loan administration, $0.181 million from the OIG, and $0.039 million from the surety bond program).

Concluding Observations

Congress continuously monitors the state of small business lending and has passed legislation to address perceived market failures, typically in an incremental, piecemeal manner during relatively good economic times and, as mentioned, through major legislative packages during and immediately following recessions.

In FY2020 and FY2021, Congress provided the SBA unprecedented funding (including supplemental appropriations totaling $760.9 billion in FY2020 and $378.5 billion in FY2021) to assist small businesses and nonprofit organizations adversely affected by COVID-19. Now that the PPP is no longer accepting applications and the EIDL program continues to approve loans at unprecedented levels (over $210 billion from March 30, 2020 through June 9, 2021), congressional attention has begun to shift toward the oversight of the SBA's administration of these programs, and efforts to deter waste, fraud, and abuse.

For example, congressional hearings have been held on the SBA's administration of the PPP and EIDL programs and the SBA Office of Inspector General (OIG) has issued several reports indicating that PPP, EIDL, and other COVID-19-related SBA program assistance was provided to ineligible or potentially fraudulent borrowers and recipients.[57] In addition, the efficacy of the CARES Act's SBA programs on small business job retention, job creation, and survivability is also likely to be an issue of increased congressional attention in the coming months. As mentioned, initial studies of the PPP's impact on small business employment have produced mixed results, with some studies finding a significant positive impact on employment and others finding much smaller positive impacts.

During the 117th Congress, Congress is likely to consider what, if any, additional action the federal government should take to enhance small business access to capital. Two not necessarily mutually exclusive options are readily apparent.

First, Congress could adopt a wait-and-see strategy that focuses on congressional oversight of the PPP, EIDL, and other programmatic changes to the SBA's programs that have been enacted. Advocates of this approach could argue that small business credit markets are generally stable and, if the COVID-19 pandemic moderates, the demand for SBA's lending could return to normal, or near normal. Therefore, it could be argued that evaluating the impact of the recent expansion of SBA programs and monitoring the severity of the COVID-19 pandemic should take place before taking further congressional action to improve small business access to capital.

Second, Congress could consider additional changes to the SBA's programs in an effort to further enhance small business access to capital, such as considering a direct lending program, providing

[57] U.S. Congress, Senate Committee on Small Business and Entrepreneurship, "Implementation of Title I of the CARES Act," 116th Congress, 2nd Session, June 10, 2020, at https://www.sbc.senate.gov/public/index.cfm/hearings?ID=C0E44E40-CC47-469C-9404-BE3EB4020AA0; U.S. Congress, House Committee on Small Business, Subcommittee on Innovation and Workforce Development, "Paycheck Protection Program: An Examination of Loan Forgiveness, SBA Legacy Systems, and Inaccurate Data," 116th Congress, 2nd Session, September 24, 2020, at https://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=3431; U.S. Congress, House Committee on Small Business, Subcommittee on Investigations, Oversight, and Regulations, "Preventing Fraud and Abuse of PPP and EIDL: An Update with the SBA Office of Inspector General and the Government Accountability Office," 116th Congress, 2nd Session, October 1, 2020, at https://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=3440; SBA, Office of Inspector General (OIG), "Serious Concerns of Potential Fraud in Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19," Report Number 20-16, July 28, 2020, p. 2, at https://www.sba.gov/document/report-20-16-serious-concerns-potential-fraud-eidl-program-pertaining-response-covid-19; and SBA, OIG, "Inspection of SBA's Implementation of the Paycheck Protection Program," Report Number 21-07, January 14, 2021, at https://www.sba.gov/document/report-21-07-inspection-sbas-implementation-paycheck-protection-program.

additional funding for SBA fee subsidies and loan modifications, modifying and expanding the Microloan program, or providing additional rounds of PPP lending or Restaurant Revitalization Fund grants. Advocates of this approach could argue that, although small business credit markets have generally remained stable, the adverse economic impact of the COVID-19 pandemic has been so severe, and could continue for months, that providing additional assistance for small businesses is necessary to help create and retain jobs and prevent many small businesses from shutting down permanently.

Appendix. Selected Provisions in the Small Business Jobs Act of 2010 and the CARES Act

Table A-1. Selected Provisions, the Small Business Jobs Act of 2010

Issue/Program	The Small Business Jobs Act of 2010
SBA 7(a) Program	Increased the 7(a) Program's loan limit from $2 million to $5 million.
SBA 504 Program	Increased the 504/CDC Program's loan limits from $1.5 million to $5 million for "regular" borrowers, from $2 million to $5 million if the loan proceeds are directed toward one or more specified public policy goals, and from $4 million to $5.5 million for manufacturers; and temporarily expanded for two years the eligibility for low-interest refinancing under the SBA's 504/CDC program for qualified debt.
SBA Express Program	Temporarily increased for one year the Express Program's loan limit from $350,000 to $1 million (expired on September 26, 2011).
SBA Microloan Program	Increased the Microloan Program's loan limit for borrowers from $35,000 to $50,000; and increased the loan limits for Microloan intermediaries after their first year in the program from $3.5 million to $5 million.
Temporary SBA fee subsidies and loan modifications	Temporarily increased the SBA's guaranty on 7(a) loans to 90% and provided for the elimination of selected fees on the SBA's 7(a) and 504 loans through December 31, 2010.
SBA secondary market	Extended the SBA's secondary market lending authority under ARRA from 2 years from enactment to 2 years from the first sale of a pool of first lien position 504 loans guaranteed under this authority investor (which took place on September 24, 2010).
SBA size standards	Authorized the SBA to establish an alternative size standard for the SBA's 7(a) and 504 programs that would use maximum tangible net worth and average net income; and to established an interim alternative size standard of not more than $15 million in tangible net worth and not more than $2 million in average net income for the two full fiscal years before the date of the application.
SBA International Trade Finance Program	Increased the International Trade Finance Program's loan limit from $1.75 million, of which not more than $1.25 million may be used for working capital, supplies, or financings, to $4.5 million.
State Trade and Export Promotion Grant Program	Established an associate administrator for the SBA's Office of International Trade and a state trade and export promotion grant program.

Issue/Program	The Small Business Jobs Act of 2010
Federal contracting	Imposed contract bundling accountability measures directing federal agencies to include in each solicitation for any contract award above the agency's substantial bundling threshold a provision soliciting bids by small business teams and joint ventures; required federal agencies to publish on its website its policy on contract bundling and consolidation, as well as a rationale for any bundled contract solicited or awarded; repealed the small business competitiveness demonstration program; and provided parity among the small business contracting programs (including striking "shall" and inserting "may" in 15 U.S.C. 657a(b)(2)(B), which refers to the agency's discretion to provide contracting preference to HUBZone small businesses).
Small Business Lending Fund	Authorized the U.S. Treasury to make up to $30 billion of capital investments ($4 billion was issued); CBO estimated the program would raise $1.1 billion over 10 years.
State Small Business Credit Initiative Program	authorized $1.5 billion for the State Small Business Credit Initiative Program.
SBA Intermediary Lending Pilot Program	Authorized a three-year Intermediary Lending Pilot Program to allow the SBA to make direct loans to not more than 20 eligible nonprofit lending intermediaries each year totaling not more than $20 million. The intermediaries, in turn, would be allowed to make loans to new or growing small businesses, not to exceed $200,000 per business.
Capital gains taxation	Temporarily raised to 100% the exclusion of gains on certain small business stock from enactment to end of calendar year.
Limitation on penalties for failure to disclose reportable transactions	Placed limitations on the penalty for failure to disclose reportable transactions based on resulting tax benefits.
Deduction for start-up expenditures	Increased the deduction for qualified start-up expenditures from $5,000 to $10,000 in 2010, and the phaseout threshold from $50,000 to $60,000 for 2010.
Business carry back	Allowed general business credits of eligible small businesses for 2010 to be carried back 5 years.
Alternative Minimum Tax	Exempted general business credits of eligible small businesses in 2010 from the alternative minimum tax.
Recognition period for built-In gains tax	Allowed a temporary reduction in the recognition period for built-in gains tax.
Expensing and Section 179 property	Increased expensing limitations for 2010 and 2011; and allowed certain real property to be treated as Section 179 property.
Depreciation	Allowed additional first-year depreciation for 50% of the basis of certain qualified property.
Deduction for health insurance costs	Allowed the deduction for health insurance costs in computing self-employment taxes in 2010.

Issue/Program	The Small Business Jobs Act of 2010
Deduction for cellular telephones	Removed cellular telephones and similar telecommunications equipment from listed property so their cost can be deducted or depreciated like other business property.
Crude tall oil	Made crude tall oil ineligible for the cellulosic biofuel producer credit.
Section 561 of the Hiring Incentives to Restore Employment Act	Increased the percentage under Section 561 of the Hiring Incentives to Restore Employment Act by 36 percentage points.
Rental income reporting	Required taxpayers that receive rental income from leasing real property to file information returns to the IRS and to service providers that report receiving payments of $600 or more during the tax year for rental property expenses (repealed by P.L. 112-9, the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011).
Penalties for failing to file information returns to the IRS	Increased the penalties for failing to file information returns to the IRS and to payees in a timely manner.
Department of the Treasury authority to apply a continuous levy on federal contractors	Expanded the Department of the Treasury's authority to apply a continuous levy to government payments to federal contractors that owe the IRS for unpaid taxes to include payments for property such as a new office building. Current law allows the levy to be applied to payments for goods and services only.
Predictive modeling to identify Medicaid waste, fraud, and abuse	Authorized the use of predictive modeling to identify and prevent waste, fraud, and abuse in the Medicare fee-for-service program.
Roth Retirement Accounts	Allowed participants in government Section 457 plans to treat elective deferrals as Roth contributions; and allowed rollovers from elective deferral plans to designated Roth accounts.
Nonqualified annuities	Allowed holders of nonqualified annuities (i.e., annuity contracts held outside of a tax-qualified retirement plan or IRA) to elect to receive a portion of the contract in the form of a stream of annuity contracts, leaving the remainder of the contract to accumulate income on a tax-deferred basis.

Source: P.L. 111-240, the Small Business Jobs Act of 2010.

Table A-2. Selected Provisions, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as amended

Program	Cares Act (as amended)
Paycheck Protection Program	Provides forgivable 1% loans with a 100% SBA loan guarantee, relaxed underwriting standards, and a loan term of two years if approved prior to June 5, 2020, or five years if approved on or after June 5, 2020, to 7(a) eligible businesses and any business, 501(c)(3) nonprofit organization, 501(c)(19) veteran's organization, or tribal business not currently 7(a) eligible that has not more than 500 employees or, if applicable, the SBA's size standard in number of employees for the industry in which they operate. Applicants must certify that they have been adversely affected by the COVID-19 pandemic. Loan payments are deferred for up to 16 months (initially six months). Loans may be forgiven in whole or in part depending on the use of the loan proceeds for payroll (at least 60% for full forgiveness), mortgage interest, rent, and utilities and the retention of employees and employee salaries. PPP loan applications were accepted starting on April 3, 2020, and ended on August 8, 2020 (original end date was June 30, 2020). The maximum loan amount was the lesser of (1) 2.5 times the average total monthly payments by the applicant for payroll costs incurred during the one-year period before the date on which the loan is made plus the outstanding balance of any Economic Injury Disaster Loan (EIDL) made on or after January 31, 2020, that was refinanced as part of the PPP loan, or (2) $10 million. The SBA was authorized to provide up to $659 billion in PPP loans ($349 billion initially). Just over 5.2 million PPP loans, totaling $525 billion, were disbursed.
SBA Loan Debt Relief	Appropriated $17 billion to pay the principal, interest, and any associated fees that are owed on an existing 7(a), 504/CDC, or Microloan that is in a regular servicing status for a six-month period starting on the next payment due. Loans that are already on deferment will receive six months of payment by the SBA beginning with the first payment after the deferral period. Loans made up until six months after enactment (until September 27, 2020) also receive a full six months of SBA loan payments.
SBAExpress Veteran's Fee Waiver	Permanently eliminates the zero subsidy requirement to waive SBAExpress loan fees for veterans.

Economic Injury Disaster Loans (EIDL)	From January 31, 2020, through December 31, 2020, expands EIDL eligibility beyond currently eligible small businesses, private nonprofit organizations, and small agricultural cooperatives, to include startups, cooperatives, and eligible ESOPs (employee stock ownership plans) with not more than 500 employees, sole proprietors, and independent contractors. Authorizes the SBA Administrator to relax underwriting standards, waive the personal guarantee requirement on EIDL advances and loans of not more than $200,000, and waive the requirement that the applicant needs to be in business for the one-year period before the disaster declaration, except that no waiver may be made for a business that was not in operation on January 31, 2020. An additional $50 billion in EIDL credit subsidy was subsequently provided to support up to $350 billion in EIDL lending. As of October 18, 2020, more than 3.6 million COVID-19-related EIDL loans were approved, totaling nearly $192 billion.

Source: P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as amended by P.L. 116-139, the Paycheck Protection Program and Health Care Enhancement Act, and P.L. 116-147, to extend the authority for commitments for the paycheck protection program.

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