

January 2021

Increase Loan Limits and Guaranty Percentages in SBA 7(a) Loan Program

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Issue Update

The U.S. Small Business Administration (SBA) has a suite of loan guaranty programs designed to support small businesses that are unable to obtain financing through traditional means. These programs carry a range of loan sizes and guaranty percentages in an effort to target the right-sized loan needed by small businesses across varying industries.

SBA's loan products support small business growth and development for tens of thousands of companies that may not have been able to secure credit elsewhere. For example, in the most recent year of available data (FY2020), as part of the flagship 7(a) loan program, SBA approved 42,302 loans totaling nearly \$22.6 billion. The average loan size was \$533,075. Further, these loans reach a higher percentage of minority and women-owned businesses when compared with traditional loan products.

In light of the COVID-19 pandemic's outsized impact on our nation's small businesses, they will need all available economic resources to rebound and grow in the coming years.

Why It Matters

Certain emergency programs such as the Paycheck Protection Program (PPP) allowed small businesses to keep employees on the payroll, the lights on, and to begin to adapt to the "new normal" by installing important personal protective equipment safeguards. However, these companies will need access to loan products that will allow them to make much-needed capital expenditures to continue to operate their businesses once we are able to move past COVID-19.

Increasing the loan limits and guaranty percentages of certain SBA loan products will provide another resource for small business owners to secure the necessary capital to recover from the effects the COVID-19 pandemic had on their businesses.

Recommended Action Items

- **Support temporary increased loan limits for traditional SBA loan products to provide increased access to capital to traditionally underserved communities in the business world such as minority, women, and veteran-owned businesses.** 7(a) loan limits should temporarily be increased to \$10 million (from \$5 million), Express loans should be increased to \$1 million (from \$350,000), and Micro loans should temporarily be increased to \$150,000 (from \$50,000).
- **Support temporary increased guaranty percentages for SBA loan products to incentivize lending as the country continues its economic recovery from the COVID-19 pandemic.** 7(a) loans should carry a temporary guaranty of at least 90% (up from 85% for loans under \$150,000 and 75% for loans greater than \$150,000). Express loans should have a temporary guaranty of 75% (up from 50%).