

WASHINGTON, DC - Congressman Robert C. "Bobby" Scott (D-VA) attended President Obama's announcement on plans to unlock credit for American Small Businesses, which was held today at the White House. The President announced immediate action to ensure that credit - the lifeblood of America's small business and its economy - gets flowing again to entrepreneurs and business owners.

"American entrepreneurship and America's small businesses will help drive our economic recovery," said Rep. Scott. "I commend the Obama-Biden Administration for taking the needed steps to thaw the credit market for small businesses. Small businesses desperately need access to credit to make payroll, purchase new equipment, expand their operations, and create jobs. The plan announced by the President today to expand lending by the Small Business Administration will ensure that small business have the tools necessary to lead the way towards economic recovery."

Key components of the President's announcement:

1. Details of a New Effort to Unlock the Frozen Credit Markets for Small Business Lending: The President and Secretary of Treasury announced details of a new and aggressive effort to unlock frozen credit markets for the Small Business Administration's major programs - the 7 (a) program and the 504 program. The 7(a) program allows small business owners to get loans of up to \$2 million dollars with a substantial government guarantee. The 504 program is designed to provide a guarantee on up to \$4 million in financing for major economic development projects that can be crucial for job growth and community development.

2. Raise Guarantees to Up to 90 Percent in SBA's 7(a) Loan Program: The purpose of the 7(a) loan program is to provide a government guarantee that reduces the risk lenders face when they make loans to borrowers who cannot find credit elsewhere. But during the current recession, the guarantees - up to 85 percent for loans below \$150,000, and up to 75 percent for larger loans - have not been large enough to give banks the confidence they need to make these loans during current economic conditions. As part of its implementation of the Recovery Act, the SBA today announces:

- An Increase in Maximum Loan Guarantees to 90 Percent: Beginning today, any lender who participates in the 7(a) program can request a guarantee from the SBA of up to 90 percent for each loan. This temporary increase in guarantees will provide banks with the greater confidence they need to extend credit during the current recession.

- A Confidence Boost Lenders Need to Extend Credit: Together with the new efforts by Treasury to unlock frozen credit markets, a community bank will be able to provide 7 (a) business loans knowing they will have a 90% guarantee and that they will be able to sell that

loan, so that they have more liquidity - more capital - to make even more loans.

1. Temporarily Eliminate SBA Loan Fees to Reduce the Cost of Capital

- Elimination of Borrower and Lender Fees for 504 Loans: On any new 504 applications submitted beginning today, SBA will eliminate fees charged to lenders and processing fees charged to borrowers. As a temporary provision authorized by the Recovery Act, these measures will reduce costs to both borrowers and lenders participating in the 504 program, which has a demonstrated record of supporting community development and creating jobs.

- Elimination of Up-Front Fees for 7(a) Loans: For any new 7(a) loan, the SBA will temporarily eliminate the up-front fees that lenders pass along to borrowers. These fees - which go up to 3.75 percent for larger loans - increase the cost of borrowing for small businesses and make it more difficult for them to access the credit they need to expand or make new investments.

For more information, please visit: <http://www.whitehouse.gov> .

(####)