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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 117th Congress: 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

One of the primary reasons the Small Business Administration (SBA) was created in 1953 was "to preserve free competitive enterprise" by assisting small businesses and, by doing so, prevent large businesses from forming oligarchies and monopolies that can control the supply of goods and services and the prices paid for those goods and services. The idea was that the preservation and expansion of full and free competition "is basic not only to the economic well-being but to the security of this Nation."[1] The perceived by-product of full and free competition was a more efficient and robust economy that creates and retains jobs.

To achieve these goals, the SBA administers several programs to support small businesses needing access to capital, 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"[2] and loan guaranty programs to encourage lenders to provide loans to small businesses "that might not otherwise obtain financing on reasonable terms and conditions."[3] Three of the most used SBA business loan programs are

- the 7(a) loan guarantee program (loans totaling $36.8 billion in FY2021),[4]
- the 504/CDC loan guarantee program (loans totaling $8.3 billion in FY2021),[5] and
- the Microloan direct lending program (loans totaling $49.5 million in FY2021 to Microloan intermediaries and $74.6 million from the Microloan intermediaries to Microloan borrowers).[6]

In addition, the SBA's Paycheck Protection Program (PPP) accepted applications—with some interruptions—from April 3, 2020, through August 8, 2020, and then from January 11, 2021, through May 31, 2021. The SBA approved about $800 billion in PPP loans to assist small businesses negatively affected by the Coronavirus Disease 2019 (COVID-19) pandemic. Under specified conditions (e.g., at least 60% of the loan proceeds must be used for payroll), these loans may be forgiven by the SBA.[7]

Historically, one of the justifications presented for funding the SBA's access to capital programs, other than promoting a full and free competitive economic system, has been that small businesses

[1] 15 U.S.C. §631.

[2] 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.

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

[4] For additional information and analysis concerning the 7(a) loan guarantee program and its subcomponents (such as the SBAExpress, Community Advantage Loan, and International Loan programs), see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger.

[5] For additional information and analysis concerning the 504/CDC loan guarantee program, see CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger.

[6] For additional information and analysis concerning the Microloan program, see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger.

[7] For additional information and analysis of the Paycheck Protection Program (PPP), see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger and Bruce R. Lindsay.

can be at a disadvantage, compared with other businesses, when trying to obtain sufficient capital and credit.[8] 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.[9]

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.[10]

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.[11] Also, a study by economists at the 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."[12] 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.[13]

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[8] 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.

[9] 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.

[10] 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.

[11] 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.

[12] 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.

[13] Ashley D. Bell, SBA southeast regional administrator, "PPP Save Over 51 Million Jobs," at https://www.sba.gov/

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.[14]

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.[15]

When determining how to best help small businesses access capital, Congress has recognized that the small business lending environment has two key features: the willingness of lenders to offer loans (the supply) and the willingness of small businesses to seek loans (the demand). For example, during economic downturns, lenders tend to tighten loan underwriting standards (e.g., the minimum requirements concerning the applicant's credit history, the extent of available collateral, the business's past and projected cash flow, and the extent of the owner's previous business experience) in anticipation that the risk of small businesses defaulting on loans will increase during recessionary times. This reduces the supply of small business loans. The demand for small business loans also tends to fall during recessionary times because many small business borrowers worry about their ability to repay new loans, particularly if the business's revenue is in decline.

Congress also recognizes that there are different ways to address small business loan supply and demand issues. For example, temporarily increasing SBA loan guaranty percentages encourages lenders to offer (supply) small business loans because the higher guaranty percentages shift lending risk from the lender to the federal government (the taxpayer). In contrast, temporarily providing SBA fee waivers encourages small business borrowers to seek (demand) new loans because the cost of securing SBA loans is reduced.

This report addresses a core issue facing the 117th Congress: What, if any, additional action should the federal government take to enhance small business access to capital? It provides an assessment of the supply and demand for small business loans, and discusses recently enacted

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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.

[14] 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/.

[15] 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.

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.

The Supply and Demand for Private-Sector Small Business Loans

Federal Reserve Board: Surveys of Senior Loan Officers

For many years, the SBA's Office of Advocacy's economists have used the Federal Reserve Board's quarterly survey of senior loan officers to assess the supply and demand of the small business lending environment.[16] The survey includes a question concerning the senior loan officer's 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. Since then, senior loan officers have reported that they had eased their loan credit standards somewhat.

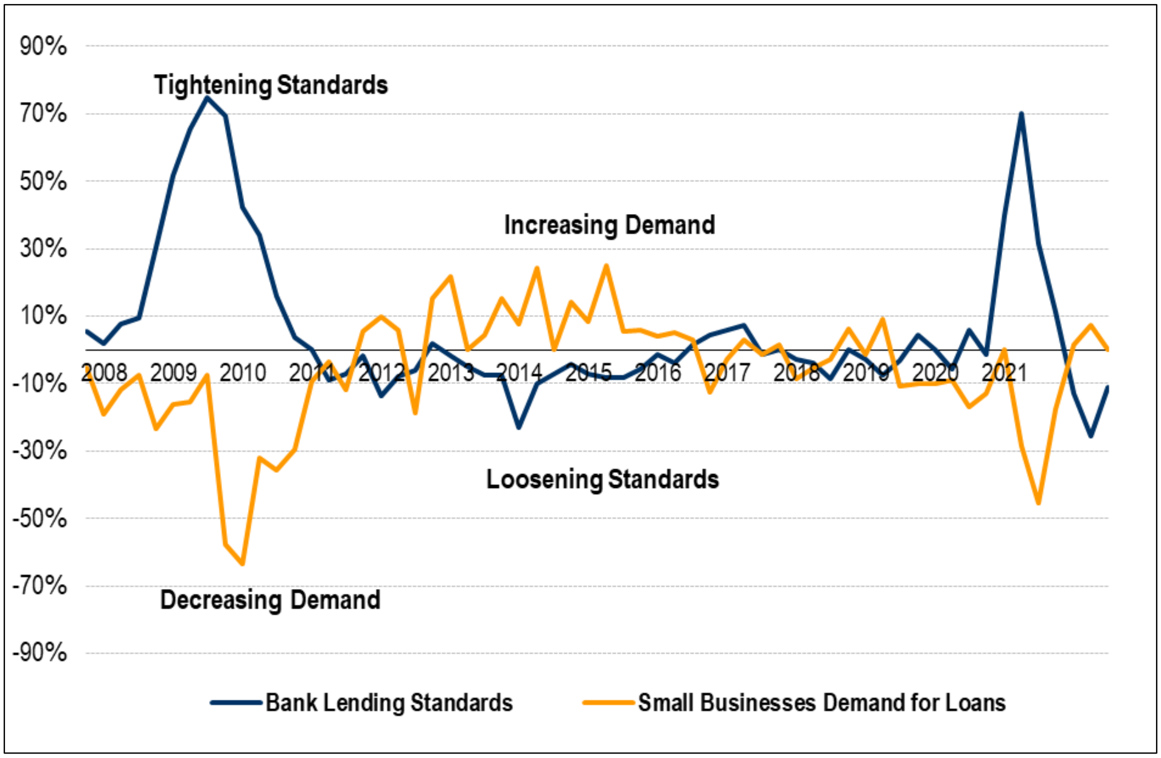
The survey also includes a question concerning the demand for small business loans: "Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months for small firms (annual sales of less than $50 million)?" Senior loan officers are asked to indicate if demand was "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. Since then, senior loan officers have reported that small business demand had increased modestly.

[16] SBA, Office of Advocacy, "Small Business Economic Bulletin: November 2021," at https://advocacy.sba.gov/category/research/facts-about-small-businesses/economic-bulletins/.

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.

SBA Lending

Table 1 shows selected financial statistics for the SBA from FY2007 to FY2021. It provides an overview of the extent of the SBA's various programs to enhance small business access to capital.

The first column reports the total amount of SBA-approved 7(a) loans, 504/CDC loans, and loans to Microloan intermediaries from FY2007 to FY2021. Each year, 7% to 10% of 7(a) and 504/CDC approved loans are subsequently canceled for a variety of reasons, typically by the borrower (e.g., the borrower found funding elsewhere, sold the business, etc.).

The second column indicates the net amount, after cancellations and returns, of SBA-approved Paycheck Protection Program (PPP) loans in FY2020 and FY2021. PPP lending volume was unprecedented. Largely due to the PPP, the SBA's total lending amount in FY2020 exceeded the total amount provided from all of the SBA's lending programs combined over the previous 29 years.

The third column reports the contract value of bonds guaranteed under the SBA's surety bond guarantee program.[17] 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.

[17] 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.

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.[18]

Table 1. Selected Small Business Administration Financial Statistics, FY2007-FY2021

(millions of $)

Fiscal Year	7(a), 504/CDC, and Microloan Amount Approved[a]	Paycheck Protection Program Net Amount Approved[b]	Surety Bond Guarantee Contract Value	7(a) Secondary Market Guarantee Program Outstanding Principal	Unpaid Principal Loan Balance[c]
2021	$45,203	$277,700	$6,800	$36,300	$713,196
2020	$28,816	$525,012	$7,190	$33,700	$835,996
2019	$28,676	—	$6,480	$33,900	$143,516
2018	$30,668	—	$6,490	$33,400	$141,719
2017	$30,977	—	$6,031	$32,400	$131,483
2016	$29,374	—	$5,724	$28,200	$124,011
2015	$28,327	—	$6,348	$25,200	$118,767
2014	$23,764	—	$6,413	$22,500	$114,450
2013	$23,442	—	$6,151	$20,500	$109,771
2012	$22,676	—	$3,917	$19,200	$104,446
2011	$20,912	—	$3,607	$17,600	$99,705
2010	$14,484	—	$4,000	$15,500	$93,594
2009	$10,862	—	$2,760	$14,700	$90,477
2008	$15,295	—	$2,450	$14,900	$88,244
2007	$18,191	—	$2,250	NA	$84,506

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. Small Business Administration, "PPP data: Program reports," at https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/ppp-data#section-header-8; U.S. 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. In recent years, the SBA has guaranteed about 84%-87% of the loan amount approved.

b. The PPP net amount approved takes into account PPP loan cancellations and/or returned loans. The PPP gross amount approved was $578,463 billion in 2020 and $287,306 billion in 2021.

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

c. 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, $185.4 billion in FY2020, and $249.2 billion in FY2021.

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 SBA-approved 7(a), 504/CDC, and Microloans declined during and immediately following the Great Recession (which officially began in December 2007 and ended in June 2009); increased, but remained below pre-recession levels in FY2010; generally exceeded pre-recession levels from FY2011 to FY2019; and increased exponentially during FY2020, remaining at historically high levels in FY2021.

The decline in the SBA loan approvals during and immediately following the Great Recession was, at least in part, due to the following three interrelated factors:

- the supply of small business loans fell as 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;
- the supply of small business loans fell as 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.[19] The SBA estimates that about half of SBA lenders resell the SBA's loans through the secondary market 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.

SBA loan approvals began to increase following the Great Recession as the economy and secondary lending markets slowly recovered and, as will be discussed, small business owners took advantage of American Recovery and Reinvestment Act's (ARRA's) temporary fee waivers for the SBA's 7(a) and 504/CDC loan guaranty programs. ARRA also encouraged lenders to

[19] 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 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.

resume lending at pre-recession levels by temporarily increasing the 7(a) program's maximum loan guaranty percentage to 90%.[20]

As mentioned, the amount of SBA-approved loans continued at or above pre-recession levels from FY2011 to FY2019 and increased exponentially in FY2020, largely due to the PPP.

Laws Designed to Enhance the Supply of Small Business Loans

Largely in response to the housing bubble's bursting in 2007 and the resultant contraction of financial credit markets, which started in 2008 and reached its nadir in early 2009, Congress passed and President Obama signed into law (on October 3, 2008) the Troubled Asset Relief Program (TARP; P.L. 110-343) to "restore liquidity and stability to the financial system of the United States." TARP was authorized to purchase or insure up to $700 billion in troubled assets from banks and other financial institutions.[21] The Department of the Treasury subsequently disbursed $389 billion in TARP funds, including $337 million to purchase SBA 7(a) loan guaranty program securities in an attempt to increase the supply of small business loans by reducing the contraction of the secondary loan market for SBA loans.[22] The authority to make new TARP commitments expired on October 3, 2010.

As shown in **Figure 1**, as the Great Recession deepened, lenders continued to tighten underwriting standards, making it more difficult for small business owners to qualify for loans. ARRA (P.L. 111-5), enacted on February 17, 2009, included several provisions to address this supply problem.[23] Several of these provisions were later used as a template when Congress considered how best to address COVID-19's negative economic impact on small businesses.

For example, ARRA

- 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

[20] 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.

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

[22] 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.

[23] 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).

end on February 16, 2011, or until $3 billion in new pools are created, whichever occurred first.[24] As will be discussed, the Small Business Jobs Act of 2010 extended the program;[25]

- 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;[26]
- 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; and
- temporarily increased 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. This increase was later extended through January 3, 2011.[27]

As shown in **Figure 1**, although the Great Recession officially ended in June 2009, lenders continued to impose relatively high underwriting standards for small business loans through 2011, restricting the supply of small business loans. To address the continuing supply problem, P.L.

[24] 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.

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

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

[27] 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.

111-240, the Small Business Jobs Act of 2010, enacted on September 27, 2010, 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;[28]
- 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);[29]
- 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 announced the first 20 community lenders which were selected to participate in the program;[30]
- 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;[31]
- 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; and
- 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.

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[28] 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.

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

[30] 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.

[31] 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.

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

As the economy slowly recovered and the supply of small business loans improved, Congress continued to monitor the small business lending environment. In recognition of the internet's growing use and the appearance of online, nontraditional lending entities that could provide another avenue for increasing the supply of small business loans, Congress passed and President Obama signed into law (on April 5, 2012) P.L. 112-106, the Jumpstart Our Business Startups Act (JOBS Act). The act established "a regulatory structure for startups and small businesses to raise capital through securities offerings using the Internet through crowdfunding."[32] 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."[33]

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,[34] imposed 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).[35]

During subsequent Congresses, several laws were enacted that included provisions to increase the supply of small business loans, including the following:

- P.L. 113-76, the Consolidated Appropriations Act, 2014, enacted on January 17, 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.[36]

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

[33] Ibid.

[34] 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 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.

[35] Ibid.

[36] 13 C.F.R. §107.820. Later, P.L. 114-113, the Consolidated Appropriations Act, 2016, 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. P.L. 115-187, the Small Business Investment Opportunity Act of 2017, also increased the supply of SBIC financings by increasing the maximum amount of outstanding leverage allowed for individual SBICs to $175 million from $150 million.

- Congress also routinely increased the supply of 7(a) loans by increasing the 7(a) loan guaranty program's authorization limit in the annual appropriations act, from $18.75 billion (in disbursements) in FY2015 to $30 billion (in disbursements) in FY2019 and FY2020.[37]

As shown in **Figure 1**, as the COVID-19 pandemic intensified, lenders began to tighten underwriting standards in 2020, primarily in anticipation of a recession. As the economy contracted sharply—primarily due to state and local government-mandated business shutdowns, travel restrictions, and restrictions on social gathering—Congress took unprecedented actions to increase the supply of small business loans.

During the 116th Congress

- P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, 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). About $800 billion in potentially forgivable PPP loans were approved in 2020 and 2021. As mentioned, that loan approval amount is more than the amount the SBA had approved in all of its loan programs, including disaster loans, during the 29 years prior to the pandemic (from October 1, 1991, through December 31, 2019, the SBA approved $509.9 billion in loans).[38] For additional details concerning the CARES Act, see **Table A-2** in the **Appendix**.
- 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 that had ended on August 8, 2020, increased the program's authorization amount to $806.45 billion, and authorized second-draw PPP loans of up to $2 million. The act also increased the 7(a) loan guaranty program's authorization limit from $30 billion to $75 billion in FY2021 and appropriated $15.0 billion (later increased to $16.25 billion) for a SBA shuttered venue operators grant (SVOG) program to provide grants to venue operators, theatrical producers, museums, and other performance organizations adversely affected by COVID-19.[39] The provision of SBA grants, as opposed to loans, to small businesses was unprecedented, reflecting the degree of congressional

[37] P.L. 114-38, the Veterans Entrepreneurship Act of 2015, increased the 7(a) loan guaranty program's FY2015 authorization limit of $18.75 billion (on disbursements) to $23.5 billion. The 7(a) loan guaranty program's authorization limit was subsequently increased to $26.5 billion for FY2016 (P.L. 114-113, the Consolidated Appropriations Act, 2016), $27.5 billion for FY2017 (P.L. 115-31, the Consolidated Appropriations Act, 2017), $29.0 billion for FY2018 (P.L. 115-141, the Consolidated Appropriations Act, 2018), and $30.0 billion for FY2019 and FY2020 (P.L. 116-6, the Consolidated Appropriations Act, 2019, and P.L. 116-93, the Consolidated Appropriations Act, 2020).

[38] 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.

[39] For additional information and analysis of the Shuttered Venue Operators Grant (SVOG) program, see CRS Report R46689, *SBA Shuttered Venue Operators Grant Program (SVOG)*, by Robert Jay Dilger.

The 7(a) loan guaranty program's authorization limit reverted back to $30 billion for FY2022 under continuing appropriations acts for 2022. See P.L. 117-43, the Extending Government Funding and Delivering Emergency Assistance Act, and P.L. 117-70, the Further Extending Government Funding Act.

concern about COVID-19's negative impact on the small business lending environment.

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 and an additional $1.25 billion for the SVOG grant program.[40]
- 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.

Laws Designed to Enhance the Demand for Small Business Loans

As shown in **Figure 1**, the demand for small business loans declined during and immediately following the Great Recession. To address this, 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 and loan modification were subsequently extended six times and ended on January 3, 2011.[41] The fee subsidies were designed to increase the demand for SBA loans by reducing loan costs.

ARRA also included 11 tax relief provisions that benefited small businesses in a broad range of industries.[42] By reducing costs, it could be argued that providing tax relief for small businesses

[40] For additional information and analysis of the Restaurant Revitalization Fund, see CRS In Focus IF11819, *SBA Restaurant Revitalization Fund Grants*, by Robert Jay Dilger.

[41] 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, authorized 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 was exhausted, which occurred on January 3, 2011.

Also, see 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.

[42] For further information and analysis of ARRA's small business tax provisions, see CRS Report R40728, *Small Business Tax Benefits and the American Recovery and Reinvestment Act of 2009*, by Gary Guenther.

may lead to increased demand for small business loans because small business owners have additional resources available to invest in their business.

As shown in **Figure 1**, although the Great Recession officially ended in June 2009, the demand for small business loans remained at relatively low levels through 2011. The Small Business Jobs Act of 2010 (P.L. 111-240) addressed this by including several provisions to increase the demand for SBA loans. For example, the act

- provided $505 million (plus an additional $5 million for related administrative expenses) to continue the SBA's fee waivers (and the increase in the 7(a) program's maximum loan guaranty percentage to 90%) from the act's date of enactment (September 27, 2010) through December 31, 2010;
- 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; and[43]
- provided small businesses with about $12 billion in tax relief.[44] As mentioned, 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 would have additional resources available to invest in their business.

As the economy improved, Congress continued to monitor the small business lending environment and, from time-to-time, subsequently adopted legislation to increase the demand for small business loans. For example, P.L. 114-38, the Veterans Entrepreneurship Act of 2015, enacted on July 28, 2015, 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.[45] 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.

As shown in **Figure 1**, the demand for small business loans declined in 2020 and 2021, primarily due the COVID-19 pandemic.

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

[44] For further information and 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).

[45] 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.

The CARES Act and succeeding small business relief legislation enacted during the 116th and 117th Congresses addressed this issue by approving an unprecedented $800 billion in PPP loans that may be forgiven under specified purposes (such as using at least 60% of the proceeds for payroll costs); waiving SBA fees; relaxing PPP underwriting standards; making COVID-19-related economic losses an eligible expense for the Economic Injury Disaster Loan (EIDL) program; deferring PPP and EIDL loan payments; providing grant programs for restaurants and shuttered venue operators; and approving debt relief payments for 7(a), 504/CDC, and Microloan borrowers.[46]

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 financing issues near the bottom of their most pressing concerns.[47] 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.[48]

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 and 117th Congresses, the CARES Act and subsequent economic relief acts (e.g., the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and the American Rescue Plan) were 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 SBA 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

[46] 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.

[47] 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.

[48] 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/.

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. For example, the House-passed version of the Build Back Better Act includes a $1.96 billion SBA small dollar direct lending program.[49]

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.[50] On October 1, 1994, SBA direct loan eligibility was limited to 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.[51] 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."[52] 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

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[49] For additional information about the SBA provisions in the House-passed version of the Build Back Better Act, see CRS In Focus IF11980, *Build Back Better Act: Small Business Administration Sections*, by Robert Jay Dilger and Anthony A. Cilluffo.

[50] 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.

[51] 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.

[52] 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.

> 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.[53]

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.[54] 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.[55] 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."[56] 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.[57] Opponents also argue that the SBA does not have the human, physical, and technical resources to make direct loans.

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.[58] 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.

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

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

[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.

[56] 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.

[57] 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.

[58] 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.

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]

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.[59] In addition, the efficacy of the

[59] 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

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 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.

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.

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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