



News Release

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In an Effort to Help Small Businesses, SBA Encourages Lenders to Offer Loan Deferment Relief

WASHINGTON – In response to the financial crisis, the U.S. Small Business Administration today announced it is strongly encouraging its participating 7(a) lenders and Certified Development companies to work with business borrowers to provide them with the flexibility they need to keep their businesses running during these difficult economic times.

As access to credit and capital has tightened, many businesses face increased challenges in meeting their financial obligations. This is especially true of small businesses hit hard by the recent economic slowdown that are now unable to make payroll, or purchase essential inventory.

SBA is reminding participating lenders they have the authority on a case-by-case basis to extend temporary payment relief for qualifying borrowers with 7(a) and 504 loans who are struggling to make their payments.

“The SBA is here to help small businesses during these difficult economic times. We are encouraging our lending partners to follow suit by extending three-month payment deferments on their SBA guaranteed loans to qualified borrowers who need relief,” said SBA Acting Administrator Sandy K. Baruah. “We recognize that small business owners are faced with challenging decisions right now. By providing three-month deferments to qualifying borrowers who are struggling, our lending partners can help small business owners free up the capital they need to maintain their businesses.”

If a deferment longer than three consecutive monthly payments is needed for a loan, borrowers can work directly with their lenders who in turn will work closely with the SBA to identify the best solution.

At the same time, the SBA is asking its lenders not to broadly call borrower loans due to changing financial variables, such as fluctuations in personal credit scores, declining collateral values, and reduced home equity, which are currently affected by the disruption in the financial markets. The SBA has issued a notice that will be distributed widely to its lenders and 120 field offices encouraging them to look at these cases individually and to work with individual borrowers in order to facilitate the longer term success of these small businesses.

For more information about all of the SBA's programs for small businesses, visit the SBA's Web site at <http://www.sba.gov>.