



News Release

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SBA TO FOSTER SMALL BUSINESS GROWTH IN AMERICA'S HEARTLAND WITH NEW LOAN SERVICE

WASHINGTON---Today the U.S. Small Business Administration announced a new loan service designed to spur economic growth in America's heartland by encouraging community banks and credit unions to finance small businesses and entrepreneurs with SBA resources. Rural Lender Advantage is part of a broader SBA initiative to boost economies in regions that face unique challenges due to factors including population loss or high unemployment rates. Part of the agency's popular 7(a) loan program, Rural Lender Advantage enables smaller, rural lenders a partnership with SBA by requiring less paperwork and offering services online.

"America's heartland is essential to the nation's economy, so SBA is committed to encouraging entrepreneurship and generating job growth in rural regions," SBA Administrator Steve Preston said. "Rural Lender Advantage is the result of listening to our friends in the rural small business community and developing a service tailored to their needs. I am pleased to announce that we will test the new service in six states and hope to expand it in the future."

The key features of Rural Lender Advantage include:

- A shorter, simplified application for loans of \$350,000 or less.
- Application may be completed and submitted online.
- An estimated, expedited loan processing time of only 3-5 days for routine loans.
- Limited but only key financial documentation required.
- SBA's guaranty of 85% if the loan is \$150,000 or less; 75% if the loan is more.
- A new, user friendly 7(a) loan portal designed to meet the needs of small/rural lenders for SBA loans of \$350,000 or less.
- Simplified SBA loan questionnaire to help small or occasional lenders understand eligibility criteria.
- Specialized assistance for rural lenders on complex eligibility issues (affiliates, aliens, etc).

The new service is intended to increase SBA's market penetration in rural areas. Small businesses account for two-thirds of all rural jobs and comprise more than 90 percent of all rural establishments. However, there are almost 400 fewer banks nationwide that took advantage of SBA loan programs than there were two years ago. Because community and rural banks accounted for much of this drop, an SBA advisory team was formed to review and develop a strategy to win them back. The team found that few small lenders and community banks use SBA loan services because they may not have the time, staff or technical capability to comply with the agency's loan criteria.

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In response, SBA created Rural Lender Advantage and will test it in Colorado, Montana, South Dakota, North Dakota, Utah and Wyoming. The agency expects there will be 3,000 to 4,000 loans made in the first year of implementation.

“Rural Lender Advantage should meet the needs of small community lenders that don’t make as many loans,” said Preston. “The approval process is simpler, more user-friendly and saves time for lenders that might have been deterred from using our programs before due to the more complex requirements necessary for larger loans. We’re excited to introduce this service and believe it will open a window of opportunity for small business owners in rural America.”

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