NAR Issue Summaries

Business / Small Business Administration Programs

NAR Committee:

Business Issues Policy Committee

What is the fundamental issue?

The Small Business Administration (SBA) works with lenders to provide loans to small businesses, through a variety of loan programs. Real estate professionals are eligible for SBA-backed loans for their businesses if they qualify as a "small business" in the U.S. These loans, which range in size from $500 to $5.5 million, can be used for most business purposes, including the purchase of land, machinery, remodeling, refinancing of existing debt, and repairing and rebuilding following a disaster.

There are several SBA programs that can benefit real estate professionals. The SBA's most popular loan program, 7(a), provides loans for startup costs, including purchasing new land, purchasing or expanding existing businesses, and refinancing existing debt. The 504 Loan or Certified Development Company (CDC) program provides financing for the purchase of fixed assets, including real estate and equipment.

For startups and small businesses with lower capital needs, the SBA has a "microloan" program, which provides loans between $500 and $50,000 for new startups and small businesses that cannot get financing elsewhere.

The SBA also provides low-interest disaster loans for businesses, homeowners, and renters to repair or replace property, including real estate, equipment, and personal property, that is damaged or destroyed in a declared emergency.

I am a real estate professional. What does this mean for my business?

Many REALTORS® are themselves small business owners, and small businesses make up a large portion of commercial REALTORS®' clientele. Small businesses are crucial to growing and maintaining a strong economy. Despite this, when lending tightens many owners struggle to access the capital they need to start or grow their businesses. Regional and community banks, often best suited to lend to a local small business, may struggle disproportionately under the weight of high compliance regulations for lenders, reducing their ability to lend. The SBA provides an important service to level the playing field for those borrowers.

Benefits of SBA Loans for Real Estate

The SBA has several loan programs that can benefit real estate professionals. They include:

- The SBA 7(a) Program: The SBA's most popular loan program, 7(a) loans provide loans of up to $5 million to fund startup costs, including purchasing new land (including construction costs), purchasing or expanding an existing business, and refinancing existing debt.

500 New Jersey Avenue, NW
Washington, DC 20001
(800) 874-6500
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- The 504 Certified Development Company (CDC) Program: This program provides financing to help existing small businesses grow. Funds can be used to purchase land, existing buildings, long-term machinery and equipment, as well as improvements, or to build new facilities or renovate or convert existing ones.
- The SBA Disaster Loan Program: This loan program provides disaster assistance via low-interest loans to businesses, renters, and homeowners in areas affected by declared disasters. These funds can be used to repair and replace real estate, personal property, machinery and equipment, and inventory, among others, affected by a disaster.
- SBA Microloans: Microloans are offered to businesses with smaller start-up capital needs, between $500 and $50,000, who do not qualify for traditional small business bank loans.

NAR Policy:

NAR seeks to maintain small business access to SBA loan programs as a viable financing option, especially during economic downturns. NAR also supportsdisaster loan policies that work to the benefit of REALTORS®.

View NAR's page on Small Business Administration Loans

Opposition Arguments:

Opponents may argue that expanding disaster loans is costly to the federal treasury.

Legislative/Regulatory Status/Outlook

Beginning in January 2018, the SBA updated its standard operating procedure (SOP), lowering the equity requirements for 7(a) loans from 25% to 10%. This reduction in the equity requirements will open up the program to many more small business borrowers, and may spur small business growth around the country. Though it remains to be seen how the lenders themselves will respond to the lower equity requirements, this will potentially provide greater flexibility and more lending for small businesses who work with the SBA.

In the wake of the Coronavirus (COVID-19) crisis, Senators Rubio (R-FL) and Collins (R-ME) introduced the "Keeping Workers Paid and Employed Act," which was included in the larger relief package introduced by the Senate, S. 3548, the"Coronavirus Aid, Relief, and Economic Security (CARES) Act," which broadened eligibility for the SBA 7(a) loan program, increased the maximum amount a business could qualify for, and made a portion of those loans forgivable for employers who kept their employees on payroll but were impacted by the crisis. NAR supported this legislation and the small business relief provisions it included.

In addition, the SBA's Economic Impact Disaster Loan program was available for businesses impacted by the Coronavirus crisis. As of January 1, 2022, SBA stopped accepting applications for new COVID-19 EIDL loans or advances. As of May 6, 2022, SBA is no longer processing COVID-19 EIDL loan increase requests or requests for reconsideration of previously declined loan applications due to a lack of available funding. For more information, please visit https://www.sba.gov/funding-programs/loans/covid-19-relief-options/eidl.

Business / Small Business Administration Programs

Current Legislation/Regulation (bill number or regulation)

None at this time.

Legislative Contact(s):

Erin Stackley, estackley@nar.realtor, 202-383-1150

Regulatory Contact(s):

Erin Stackley, estackley@nar.realtor, 202-383-1150

500 New Jersey Avenue, NW
Washington, DC 20001
(800) 874-6500
nar.realtor