

Update on FY 2019 Federal Budget and Potential Partial Government Shutdown

Funding for portions of the federal government is set to expire at midnight Friday, **December 7**, including **funding for SBA operations** and **authorizing 7(a) program level for FY 2019**. There are three potential paths forward:

1. Congress could pass a full fiscal year 2019 budget for the remaining portions of the government's budget -- including SBA;
2. Congress could pass a *short-term* **Continuing Resolution** (CR) that serves as a temporary hold at last year's funding levels for the remaining unfunded portions of the government, including SBA, until Congress can agree to a full-year budget; or
3. Congress could fail to agree to a full-year budget or a Continuing Resolution, and therefore the unfunded portions of the government, including SBA, would shutdown. In this scenario, 7(a) lending would shut down entirely.

What is likely to happen?

Based on the latest information collected by NAGGL's Government Relations team, we believe that **Congress will likely approve a short-term, 2-week Continuing Resolution to provide funding for SBA and authorization for the 7(a) loan program through December 21**. We anticipate that the House will pass a measure mid-week, and that the Senate will consider and pass by Friday, averting a partial government shutdown. Then, Congress would have the next two weeks to finalize a budget path forward by December 21 in order to avert a partial government shutdown. However, as with all things in D.C., **nothing is certain; this is currently the most likely route Congress will follow**.

What does this likely scenario mean for 7(a) lending?

Under a Continuing Resolution, 7(a) lending is business as usual. Based on NAGGL's advocacy leadership, the 7(a) program received an "anomaly" in the CR signed in September 2018.

Typically during a CR, the 7(a) program would be authorized to lend only up to a set daily dollar cap (calculated using the previous Fiscal Year's total authorization cap [\$29 billion for FY 2018] divided by the number of days the Continuing Resolution is in effect), which means that should the natural surges in loan volume breach the cap, lending halts until the next day. Having an anomaly allows the 7(a) loan program to get "special treatment" in what can best be described as a cash-advance from the government, which frees the program from being tied to daily caps. Congress does this in recognition that 7(a) lending is a demand-driven program that serves borrowers in a way that cannot always be measured or predicted in a given span of time. In other words, if 7(a) lending naturally surges during the course of this year's Continuing Resolution, 7(a) will not experience any issues.

Watch your inbox and naggl.org for updates on any new developments on the looming federal budget deadline.

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National Day of Mourning Means Limited Secondary Market Activity

With both the U.S. stock and bond market closing on **Wednesday, December 5** for the National Day of Mourning, **SBA will not conduct loan and SBA pool sales settlement on Wednesday**. The FTA will continue to process payments and loan payoffs and to accept all Form 1502 submissions (filing deadline this month happens to be 12/5).



Proposed Rule Deadline Extended to December 18

On Friday, November 16, the SBA extended the deadline for submitting written comments on the large Proposed Rule that contains several significant PROPOSED changes to the 7(a) program to **December 18**. Please take the time to read the complete Proposed Rule and submit your written comments to NAGGL at info@naggl.org as soon as possible.

[READ SBA PROPOSED RULE](#)

2019 Committee Nominations



Joining a committee is a great way to become more involved, network with other industry professionals, and voice your opinions on some of the most pressing 7(a) lending issues. If you are interested in joining a committee or to continue serving on a committee, please complete the form linked below.

[JOIN A COMMITTEE](#)



AND THE AWARD GOES TO...

Each year NAGGL honors our awards recipients during a luncheon at Annual Conference. If you missed it, here is the 2018 award recipient recap. Congratulations to all!

[2018 AWARDS](#)

UPCOMING EVENTS



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