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Small businesses seeking financial help through a government-backed loan program to expand their operations or make purchases have hit a roadblock, due to the partial shutdown.

The U.S. Small Business Administration has halted approval of applications made through its core 7(a) loan program, since many of its employees have been furloughed. Banks are working with businesses on applying for new 7(a) loans, but until the shutdown ends, the SBA can't authorize their applications, and no one can say how soon the green light might come.

For lenders such as M&T Bank Corp., the Buffalo Niagara region's longtime leader in SBA loans, the delay is frustrating.

"It's preventing needed capital from getting into the hands of our businesses," said Sean McCabe, SBA lending manager with M&T.

Under the 7(a) program, the government provides guarantees for up to 85 percent of the principal amount of a loan. The program helps businesses who might otherwise have difficulty obtaining loans, by giving the banks more reassurance to lend to them.

In the Buffalo area, M&T has 26 pending 7(a) loan requests, worth a combined \$3.3 million, from 20 individuals, McCabe said. "That money is sitting on the sidelines while the government is shut down."

Across its footprint, M&T has 129 businesses awaiting approval of SBA-program

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participated in the program in the past fiscal year, including six that originated at least 20 loans.

Alfred Luhr, a senior vice president at M&T, said the shutdown is also preventing small businesses from accessing much-needed “intellectual capital” from the SBA, the type of resources that help those ventures grow.

M&T accounted for about 40 percent of the 7(a) loans in the Buffalo-Rochester market during the 11-month period stretching back to October 2012, and 37 percent of the overall value of the loans.

KeyBank ranked No. 6 on the regional SBA list, based on number of loans. The Cleveland-based bank with a significant Western New York presence is starting to see a “logjam” of 7(a) applications submitted to the SBA but not yet approved, said John Moshier, KeyBank’s national SBA manager.

“The banks are still working to try to help fulfill those requirements, but we can’t do it without the government,” he said. Moshier said he also worries that a prolonged shutdown might discourage some potential customers wary of even starting the 7(a) loan process.

KeyBank estimates 7(a) loans account for about 20 percent of its small-business loan portfolio, as defined by companies with \$20 million or less in annual sales. “It’s the smaller deals where it’s really hurting, because we process those really, really quickly,” Moshier said.

Meanwhile, the applications are stuck in the pipeline, waiting for a solution in Washington.

“This is an area of concern,” Moshier said. “We’re actively working with our trade association to try to provide feedback that our small businesses are being affected by

this.”

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