
Bank Notes

A Newsletter for Michigan Lenders

September 3, 2009

Issue 161

Updated ARC Loan Program Procedural Guide

SBA's America's Recovery Capital Loan Program was introduced in June 2009. Reflecting the Agency's commitment to being responsive to our lending partners, the SBA has now updated the ARC Loan Program Procedural Guide to provide even more specific guidance to help our lending partners in making this product accessible to small businesses.

On our Web site, we have published both a tracked-changes version and "clean" version (with all changes accepted) of this revised program guide to assist lenders in quickly identifying the areas that have been modified. The updated guide is located on SBA's Web site at www.sba.gov/aboutsba/sbaprograms/elending/RECOVERY_INFO_LENDERS.html.

The more important changes included in the procedural guide include Qualifying Small Business Loans, Credit Cards, Collateral, Credit Criteria and Environmental Reviews. Questions on SBA's ARC Loan Program may be directed to our office, or you may e-mail SBA at ARCLoanEQ@SBA.gov.

Lender Payments to SBA

Currently, the SBA requires the use of Pay.gov, Treasury's electronic payment portal, for the payment of up front guaranty fees by all lenders using the 7(a) wizard for long-term 7(a) loans.

The SBA is expanding the required use of Pay.gov. Effective October 1, 2009, SBA now requires lenders to use Pay.gov for the payment of all loan guaranty fees, care and preservation of collateral expenses, lender review fees and the fees associated with the Transaction Report on Loans Services by Lender. This new requirement applies to all 7(a) long and short term loans.

However, lenders currently enrolled with the SBA for bulk ACH electronic payment processing may continue to use that method for guaranty fees only. Also, any lenders currently participating with the SBA on electronic commerce pilot or development projects are excluded from this requirement for the specific fees that are involved in the pilot or development project.

Pay.gov is a free, secure, government-wide financial transaction portal managed by the U.S. Department of the Treasury's Financial Management Service. The Pay.gov Web site is located at www.pay.gov.

The requirement to use Pay.gov is set forth in SBA Procedural Notice 2000-766. For further information, please go to this notice at www.sba.gov/idc/groups/public/documents/sba_program_office/bank_2000_766.pdf.

Update of 7(a) Authorization Wizard

SBA Notice 5000-1118 announced the release of Version 2009.4 of the National 7(a) Authorization Boilerplate and Wizard. Version 2009.4 has been created to accommodate the conditions necessary to authorize the guaranty of lines of credit under SBA's new Dealer Floor Plan Pilot Initiative.

Users of the 7(a) Boilerplate and Wizard should read the "What's New" section located at the beginning of the Boilerplate to familiarize themselves with the major differences between Version 2009.3 (June, 2009) and Version 2009.4.

Lenders are asked to convert to the new version immediately.

This notice will be posted to the Michigan Lenders' page at www.sba.gov/mi/mi_lender-info_notices.html as soon as possible. If you have any questions or concerns, please submit them to the 7(a) Authorization e-mail box at Auth-7a@sba.gov.

New Fax Number

The fax number at the 7(a) Loan Guaranty Processing Center in Citrus Heights, California has been changed to (916) 735-1975.

Issuance of SOP 50 10 5(B)

The Office of Financial Assistance has issued SBA Information Notice 5000-1121 announcing the publication of an update to the Standard Operating Procedure (SOP) 50 10 5. This update to the SOP will be known as SOP 50 10 5(B) and will be effective on October 1, 2009. This version of the SOP will apply to all applications received by SBA on or after October 1, 2009.

As with previous editions of SOP 50 10 5, SBA will post two versions on the Web site. The first version will show all changes as “tracked changes” to enable users to more easily identify what has been modified. The second version incorporates all of the changes into the document. The revised SOP may be found at: <http://www.sba.gov/aboutsba/sbaprograms/elending/reg/index.html>.

Some of the key changes made to this version of the SOP include:

1. Changes to the guidance for financing transactions involving intangible assets (including goodwill):
 - a. If the loan amount includes more than \$500,000 in intangible assets and the borrower and/or seller are not providing at least 25% equity, then the application must be sent to the Standard 7(a) Loan Guaranty Processing Center in Citrus Heights for review and approval by SBA.
 - b. The amount of intangible assets financed with loan proceeds must be specifically identified in the Use of Proceeds section of the application and the loan authorization.
2. SBA will periodically publish the maximum allowable fixed-rate in the Federal Register, based on the LIBOR swap-rate, which will permit borrowers to get a fixed-rate loan that is based on the cost of a swap contract for a LIBOR-based variable-rate loan.
3. Streamlined the required submission for CLP and PLP applications.
4. Clarified that any credit card debt that is going to be refinanced must be business related credit card debt and provided guidance on how to document that such credit card debt is business related.
5. Conformed the 20% improvement in cash flow requirement on refinanced debt in the 7(a) program to 10% to match the recently implemented requirement in the 504 program, and clarified that the improvement in cash flow requirement does not apply to certain types of debt allowed to be refinanced (such as long-term debt structured with a balloon payment).
6. The Commercial Loan Servicing Centers will be able to approve requests for increases in loans that are for more than 20% of the loan amount or more than 18 months after loan approval. It also clarified the language surrounding increases in SBAExpress and the Pilot Loan Programs.
7. All policy and procedural notices issued between January 1, 2009 and June 30, 2009 were incorporated into the SOP.

2010 Michigan SBA Lenders' Conference

Mark your Calendar! SBA's 12th Annual Michigan SBA Lenders' Conference will be held March 23, 2010 at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

If you have any suggestions for this conference, please do not hesitate to call Allen Cook at (313) 226-6075, ext. 221 or e-mail allen.cook@sba.gov.

Bank Notes Distribution

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Change to 504 Loan Program Regarding Debt Refinancing

As stated in SBA Policy Notice 5000-1108, the American Recovery and Reinvestment Act of 2009, P.L. 111-5 changes the Small Business Investment Act (SBI Act) to permit debt refinancing under certain circumstances as part of the 504 Certified Development Company Loan Program. SBA has amended its regulations to implement the new law.

(See Federal Register: June 23, 2009 (Volume 74, Number 119)).

The debt refinancing authorized by the Recovery Act is available for loan applications received by SBA on or after June 23, 2009, the effective date of the regulations. In addition, applications received or loans approved prior to that date may be modified to include debt refinancing provided that the related debenture has not been funded. The additional guidance announced in this Policy Notice is effective immediately, and will be incorporated into the Standard Operating Procedures with the next semi-annual revision.

For further information please go to this notice at:

www.sba.gov/localresources/district/mi/mi_lender-info_notices.html