
Bank Notes

A Newsletter for Michigan Lenders

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Issue 168

Small Business Jobs Act of 2010

The Small Business Jobs Act, signed by President Obama on September 27, will provide critical resources to help small businesses continue to drive economic recovery and create jobs. The new law extends the successful SBA Recovery loans while offering billions more in lending support and tax breaks for entrepreneurs and small business owners.

This new law has many provisions to help small businesses. Those that involve our loan programs are outlined below. As these are implemented, we will provide information to you. We expect the extension of the Recovery Act provisions to go into effect next week.

- Recovery Act Loans Extension – \$14 billion more in lending support
 - o The law will extend SBA Recovery loans (with the 90% guarantee and reduced fees) through December 31, 2010. It will support about \$14 billion in overall small business lending. More than 1,400 small businesses that have been in a queue waiting for this bill to become law will be funded in a matter of days.
- Higher Loan Limits – significantly increases maximum loan sizes in top loan programs
 - o The law will permanently increase 7(a) and 504 limits from \$2 million to \$5 million (for manufacturers in 504 loan program, up to \$5.5 million).
 - o The law will permanently increase microloan limits from \$35,000 to \$50,000, helping larger entrepreneurs with start-up costs and small business owners in underserved communities.
- Alternative Size Standards – more small businesses eligible to get SBA loans
 - o The law expands the number of businesses eligible for SBA loans by increasing the alternate size standard to those small businesses with less than \$15 million in net worth and \$5 million in average net income.
- Temporary Enhancements to Help with Working Capital, Commercial Real Estate Refinancing
 - o The law will increase maximum amount of SBA *Express* loans from \$350,000 to \$1 million (expires 9/27/2011).
 - o The law will allow some small businesses to refinance their owner-occupied commercial real estate mortgages into the 504 loan program (expires 9/27/2012).
- Dealer Floor Plan Pilot Extension, Expansion
 - o The pilot program (begun 2009) will be extended to 2013.
 - o After the \$5 million loan limit is implemented, this will help even more small businesses owners who sell cars, RVs, boats, other titleable inventory.
- Small Business Intermediary Lending Pilot
 - o The law provides for funding up to \$20 million per year in small business loans over the next three years for an intermediary-facilitated loan program targeting small businesses that need loans up to \$200,000.
- Export Express Pilot Becomes Permanent
 - o The law turns the Export Express pilot loan program into a permanent program with 90% guarantees for loans up to \$350,000 and 75% for loans between \$350,000 and \$500,000.

Bank Notes Distribution

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www.sba.gov/localresources/district/mi/mi_lenderspage.html

Issuance of SOP 50 10 5(C)

The annual update to SOP 50 10 5(C) will be effective on October 1, 2010 and will apply to all applications received by SBA on or after that date. As in the past, there are two versions on the Web site. The first version tracks all 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 www.sba.gov/aboutsba/sbaprograms/elending/reg/index.html.

Brief summary of some of the changes:

Passive Income Definition: The definition has been modified to recognize changes in the business model for many types of businesses. This modification results in a more simplified definition that will permit more small businesses to be eligible for an SBA-guaranteed loan.

OREO Transactions: Lenders will be allowed to finance their OREO property with a 7(a) loan as long as the application is submitted to the SBA processing center for a decision by SBA and the application meets certain stated conditions.

Small/Rural Lender Advantage: The S/RLA process has been modified to reduce the two tiers of analysis to one tier.

Source of Equity and Documentation: The guidance on the permissible sources of equity and documentation of equity injection has been expanded and moved from SOP 50 51 (which deals with purchases and liquidations) to SOP 50 10. As a result, lenders will be aware of what SBA requires regarding documentation of equity injection prior to closing and disbursing a loan.

Business Acquisitions: The following revisions have been made:

- (1) tightening the requirements concerning who is qualified to perform a business valuation;
- (2) changing the timing of the requirement to obtain a business valuation to before the application is submitted to the LGPC or, for applications processed under delegated authority, after receipt of the SBA loan number but prior to closing;
- (3) adding a statement that any difference between the sales price and the business valuation may not be financed with the SBA-guaranteed loan; and
- (4) adding language to require the lender to verify the financial information relied upon in the business valuation.

SBA Form 912: Who must complete SBA Form 912 has been amended to:

- (1) add "any person hired by the applicant to manage day-to-day operations" (i.e., "key employee");

(2) address which members of a Limited Liability Company must complete a 912 (each member owning 20% or more of the LLC, and each officer, director and managing member); and

(3) clarify which partners of a partnership are required to complete a 912 (each general partner and all limited partners owning 20% or more of the partnership).

These and other changes will be covered during the "First Thursday" training session on October 7 at 10:00 a.m.

ReadyTalk Session October 7

The next monthly ReadyTalk session for lenders is scheduled for Thursday, October 7 at 10:00 a.m. It will cover:

- Impact of New Small Business Jobs Act of 2010
- Fiscal 2010 Loan Activity Summary
- Revised SOP 50 10 5(C)
- Lender Visits
- Q&A

ReadyTalk is a Webinar program utilizing the Internet and a conference call system. To access the system:

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Please join us on October 7.