

## **REVISED ARC LOAN PROCEDURAL GUIDE**

### **Talking Points August 28, 2009**

The ARC Loan Procedural Guide has been updated to make corrections to the original guide, provide clarifications and guidance, and make certain program changes based on feedback on the program.

The changes to the Procedural Guide are enhancements and should not be considered a major shift in program requirements.

The updated guide is part of SBA's continued commitment to conduct lender outreach and training to improve understanding of the ARC Loan Program. Most of the changes are the result of feedback we received from our lending partners.

A summary of changes to the guide are as follows:

- Qualifying Small Business Loans (QSBLs) -- Additional guidance and information on what loans are QSBLs including notes payable to pay accounts payable and other business obligations that are more than 30 days delinquent; what constitutes a loan; what constitutes an "existing" loan; how to treat SBA loans pre and post February 17, 2009; and how to treat new non-SBA loans.
- Credit Cards. For credit cards issued in the name of the business, the guide replaces the requirement that the borrower submit to the lender supporting documentation for each credit card charge with a borrower certification that all ARC Loan payments made on the business credit card are for business purposes. For credit cards issued in the name of an individual, the guide maintains the documentation requirements except that for credit card purchases of \$100.00 or less, the documentation requirement is eliminated. Allows for monthly payments on credit cards in amounts in excess of the minimum monthly payment.
- Eligible Passive Companies (EPC)/Operating Companies(OC). The guide provides guidance on how to treat the EPC/OC structure for 504 Third Party Loans, 504 loans and 7(a) loans that permits the use of ARC Loan proceeds to make the mortgage payments. Non-SBA EPC/OC structures are still not able to obtain an ARC Loan to make payments on the mortgage held by the EPC unless the EPC and OC are co-borrowers on the mortgage note (the OC may obtain an ARC Loan to pay other business loan obligations it may have).

- Collateral. Clarifies SBA's policy with regard to collateral requirements for ARC Loans. The ARC Loan Procedural Guide is amended to retain the requirement for a lender to follow its existing collateral policies as to whether the loan is secured or not but allows the lender to obtain the best available lien position.
- Credit Criteria. Amends the financial statement requirement to allow for either financial statements or tax returns and reduces the requirement from 3 years of historical financial information to 2 years. The requirement for historical cash flow statements is eliminated. Guidance on how to prepare the 2-year cash flow projection has been added.
- Environmental Reviews. Eliminates any requirement for environmental reviews on collateral taken for ARC Loans.
- Life Insurance. Eliminates any requirement for life insurance related to ARC Loans.
- Interest Payable and 1502 Reporting. Incorporates additional information on the administration of interest payable by SBA to the lender and 1502 Reporting on ARC Loans that was not available at the time the Guide was initially issued.

The Revised Procedural Guide (a “clean” version and one marked to show the changes made) and a powerpoint presentation with more specifics on the changes has been posted on the SBA’s website at [www.sba.gov/aboutsba/sbaprograms/elending/RECOVERY\\_INFO\\_LENDERS.html](http://www.sba.gov/aboutsba/sbaprograms/elending/RECOVERY_INFO_LENDERS.html).

Frequently Asked Questions about the ARC Loan Program are also available on the website.