

JUNE 2009

INFORMATION

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All SBA programs and services are provided on a nondiscriminatory basis.

More Recovery Act Provisions from SBA

Dear Lender:

This week we launched the latest of our American Recovery and Reinvestment Act (ARRA) provisions with ability for businesses to include refinancing of debt in their 504 loan project proposals. Unlike most provisions this is a permanent change that will enhance the ability of the lender and business to structure the capital needs of the business for expansion and growth. Take a moment to explore the details on page 2.

We are pleased with the interest in the American Recovery Capital (ARC) loan program and encourage you to continue to call us if you have any questions. The interest in this program is high. You presented us with an approved loan the first day of the program and the first in our four state region.

The Dealer Floor Plan (DFP) pilot program announced on the 28th of May will provide loan guarantees for lines of credit through the 7(a) program.

DFP loans will be made through SBA lenders only for inventory that can be titled, such as autos, RVs, manufactured homes, boats and trailers. This pilot will be available from July 1, 2009 to September 30, 2010. Additional information can be found at www.sba.gov/floorplanfinancing.

This week marks the two year anniversary of the Patriot Express pilot loan program. In short recap we have done 44 loans for just over \$5 million in that time in Iowa. Eleven of those loans came in the past three months as a number of you have recognized the clear win-win value of the program with its 90% guarantee for the lender, no up front borrower fees, the ability to use your own forms, policies and procedures, line of credit option, and quick approval time frame. The Patriot Express program serves the broader military community encompassing National Guard, reserve, spouses of active military, and those in the military transition assistance program.

Included in this newsletter is an Information Notice on servicing and liquidation authorities for 7(a) lenders. Please take a moment to become familiar with the notice and the matrix of servicing and liquidation actions. Note particularly for lenders with E-Tran capability the unilateral actions for which authority has been delegated.

The alternative size standard for 7(a) loans covered in our May issue does not apply to agricultural producers. This unfortunately was not articulated to us at the time this was announced. Our apologies to those who were caught in this oversight.

We are particularly pleased with how you as lenders have responded to the enhancements and changes to the tools given to us under the ARRA. Loan activity in the past three weeks has increased sharply. Activity is 18% higher in number of loans and 14% higher in total dollars than the same 3 week period last year.

This past Memorial Day weekend and this month mark the one year anniversary of the tornados and floods that devastated our state. The disaster events of this past year along with the change in the economy have created challenges none of us envisioned a year ago. SBA approved 3879 disaster loans for homeowners, renters and businesses for \$277.9 million in Iowa. If you are aware of recipients of SBA disaster loans, either home loans or business loans, that are experiencing challenges, encourage them to contact the center that is servicing their loan. We are working closely with our resource partners, our disaster loan processing center and disaster loan servicing center to assist, particularly businesses impacted by this past year's disaster.

Sincerely



Joseph M. Folsom
District Director

Reminder on Servicing and Liquidation Authority of SBA 7(a) Lenders

On April 12, 2007, SBA published regulations on liquidation and debt collection activities that amended 13 CFR Part 120 governing business loans.

The new regulations became effective on May 14, 2007. Section 120.536 standardized across the various 7(a) loan programs the servicing and liquidation actions that require prior SBA approval, and reminded lenders to maintain in their loan files supporting documentation for actions taken in connection with a loan not requiring prior SBA approval.

This documentation is essential for SBA's review of the lender's handling of a loan if it is submitted for guaranty purchase and for SBA's determination as to whether the lender's actions were prudent, commercially reasonable (consistent with generally accepted commercial lending practices) and in accordance with loan program requirements.

The purpose of this notice is to remind all SBA 7(a) lenders that they are given the same authority previously held by PLP lenders to service and liquidate their loan portfolios. Therefore, lenders may use their unilateral authority in order to expeditiously address the needs of small business concerns in these difficult economic times. This unilateral authority includes, among other things, deferments and loan restructuring where needed to keep a small business open and operational.

SBA's regulations at 13 CFR § 120.535 set forth the following general standards for loan servicing, liquidation and debt collection litigation actions:

(a) Service using prudent lending standards. Lenders ... must service 7(a) ... loans in their portfolio no less diligently than their non-SBA portfolio, and in a commercially reasonable manner, consistent with prudent lending standards, and in accordance with Loan Program Requirements. Those Lenders ... that do not maintain a non-SBA loan portfolio must adhere to the same prudent lending standards for loan servicing followed by commercial lenders on loans without a government guarantee. With the exception of the actions specifically identified in 13 CFR § 120.536, SBA has now delegated to all 7(a) lenders identical unilateral servicing authority as indicated above. SBA's Commercial Loan Servicing Centers (CLSCs) in Fresno and Little Rock and the Herndon National Guaranty Purchase Center (NGPC) are unable to approve actions within a lender's unilateral servicing authority because of the high volume of such actions.

As a helpful guide for lenders to determine which actions they may take unilaterally, SBA has developed a matrix for both servicing and liquidation actions that replaces previous matrices that addressed servicing and liquidation actions separately. The new combined matrix is available on SBA's websites for the Fresno, Little Rock and Herndon centers accessible through www.sba.gov/banking.

As indicated above, for all loan servicing actions lenders must continue to document the justifications for their decisions and retain these and supporting documents in their loan

files for future SBA review if the loan is submitted for guaranty purchase, as well as for lender oversight purposes. A lender's actions will be evaluated in the purchase process to determine whether they constituted a reasonable business decision made in connection with good faith efforts to keep a borrower's business open.

It is important that lenders notify SBA with respect to the unilateral actions identified in the combined matrix that are identified as requiring SBA notification. Such notice is necessary to update SBA's loan database and to maintain accurate records for loans that will be sold in the secondary market.

SBA encourages all lenders to become familiar with and use E-tran, which permits lenders to make many changes to their SBA loan record using a direct connection via the internet.

SBA is offering special training and assistance in relation to servicing, the use of E-tran, as well as the servicing and liquidation matrix. This training is being offered through local SBA district offices in cooperation with SBA's loan servicing centers. Lenders are encouraged to contact brand managers or other officials at their local SBA district office for more information regarding training

For questions, please contact the Little Rock CLSC Director, Nique Carrington (501-324-5871, Ext. 281), the Fresno CLSC Director, Joel Stiner (559-487-5136, Ext. 215), the Herndon NGPC Director, Vanessa Piccioni (703-487-9293), or Walter Intlekofer at SBA Headquarters (202-205-7543).

Where to Find ARC Loan Forms

We've gotten several calls from lenders looking for ARC loans forms. ARC forms can be found at http://www.sba.gov/aboutsba/sbaprograms/elending/RECOVERY_INFO_LENDERS.html

However, some forms you may need to complete ARC applications are also found under the borrowers section at <http://www.sba.gov/tools/Forms/smallbusinessforms/fsforms/index.html>

If you need assistance in locating a particular form, please contact the Des Moines or Cedar Rapids Office and we'll be happy to assist

SBA to Permanently Allow Debt Refinancing under the 504 Program

Small businesses seeking to expand will be able to refinance existing loans used to purchase real estate and other fixed assets as a result of permanent changes to the U.S. Small Business Administration's 504 Certified Development Company loan program. The changes were authorized in the American Recovery and Reinvestment Act of 2009.

The permanent changes will allow small businesses to restructure eligible debt to help improve their cash flow which, in turn, will enhance their viability and support growth and job creation. The 504 loan program can be used to purchase business real estate or fixed assets, such as heavy equipment or machinery, and expand current development projects.

The 504 loan program is administered through 271 Certified Development

Companies across the nation. SBA began implementation of the changes by publishing them as a permanent rule in the *Federal Register*.

The changes announced today include:

Debt Refinancing: Legislation allows 504 program projects to include a limited amount of debt refinancing if there is a business expansion and the debt refinanced does not exceed 50 percent of the projected cost of the expansion. "Expansion" includes any project that involves the acquisition, construction or improvement of land, building or equipment for use by the small business. The following are some of the conditions under which borrowers will be eligible for refinancing:

- The debt being refinanced was incurred to acquire land, to

construct a building or to purchase equipment. The assets acquired must be eligible for financing under the 504 program.

- The existing debt is collateralized by fixed assets.
- The existing debt was incurred for the benefit of the small business.
- The new financing provides a substantial benefit to the borrower when prepayment penalties, financing fees, and other financing costs are taken into account.
- The borrower has been current on all payments of existing debt for one year prior to the date of refinancing.

For more information on the 504 loan program and eligibility requirements, go to www.recovery.gov or www.sba.gov/recovery.

SBA Lender Activity Report for MAY

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
FIRST CENTRAL STATE BANK	DE WITT	9	\$685,300	FIRST NATIONAL BANK	SIoux CENTER	1	\$460,000
U.S. BANK	IOWA	8	\$2,042,500	IOWA BUSINESS GROWTH CO.	JOHNSTON	1	\$347,000
FIRST AMERICAN BANK	FT. DODGE	5	\$3,656,000	HIAWATHA BANK AND TRUST CO	HIAWATHA	1	\$332,000
IOWA STATE BANK	WAPELLO	2	\$1,078,500	BELLEVUE STATE BANK	BELLEVUE	1	\$298,200
NORTHWOODS STATE BANK	MASON CITY	2	\$917,000	BANKERS TRUST CO.	CEDAR RAPIDS	1	\$282,000
MAQUOKETA STATE BANK	MAQUOKETA	2	\$440,000	FARMERS STATE BANK	NORTHWOOD	1	\$250,000
COMMUNITY 1ST CU	OTTUMWA	2	\$408,000	FIRST FCU	CEDAR RAPIDS	1	\$216,800
GREEN BELT BANK & TRUST	IOWA FALLS	2	\$375,000	CITY STATE BANK	CENTRAL CITY	1	\$192,000
NORTHWEST BANK & TRUST CO.	DAVENPORT	2	\$187,000	CITY STATE BANK	NORWALK	1	\$182,000
WELLS FARGO	IOWA	2	\$112,300	FARMERS AND MRCH ST. BANK	WINTERSET	1	\$125,000
NORTHWEST BANK	SPENCER	2	\$45,000	FARMERS STATE BANK	MARION	1	\$125,000
FARMERS STATE BANK	WATERLOO	1	\$1,808,500	GREAT WESTERN BANK	IOWA	1	\$100,000
LIBERTY BANK, FSB	WDM	1	\$1,800,000	HILLS BANK AND TRUST CO.	HILLS	1	\$100,000
VALLEY BANK	ILLINOIS	1	\$1,700,000	BANKIOWA	CEDAR RAPIDS	1	\$95,000
COMMUNITY STATE BANK,	ANKENY	1	\$1,450,000	HEDRICK SAVINGS BANK	OTTUMWA	1	\$93,000
CEDAR RAPIDS BNK & TRUST CO	CEDAR RAPIDS	1	\$1,000,000	SMALL BUSINESS GROWTH CORP	ILLINOIS	1	\$84,000
F&M BANK-IOWA	MARSHALLTOWN	1	\$600,000	CLEAR LAKE BANK & TRUST CO	CLEAR LAKE	1	\$65,000
THE GRUNDY NATIONAL BANK	GRUNDY CENTER	1	\$500,000	INNOVATIVE BANK	CALIFORNIA	1	\$25,000
AMERICAN BUS. LENDING, INC.	TEXAS	1	\$471,400	DUPACO COMMUNITY CU	DUBUQUE	1	\$10,000

The following lenders were participant lenders in the SBA's 504 Loan Program in Iowa during the month of May

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
FIRST CITIZENS NATIONAL BANK	MASON CITY	1	\$490,000	IOWA STATE BANK	WAPELLO	1	\$114,250