Bank Notes

A Newsletter for Michigan Lenders

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Issue 157

New Alternative Size Standard for 7(a) Loans Published

Effective May 5, 2009, 13 CFR part 121.301 has been amended to provide a new alternative size standard for 7(a) loans on a temporary basis. The rule expires on September 30, 2010. The interim final rule that was published in the *Federal Register* on May 5, 2009 can be found at 74 FR 20577.

SBA believes that temporarily applying an alternative size standard to the 7(a) program will provide an effective mechanism for the Federal Government to extend crucial financial assistance to small businesses that cannot obtain financial assistance in the current economic environment. As a result of the temporary change, more than 70,000 additional small businesses across the country – including auto and RV dealerships, auto industry suppliers and others – could be eligible to apply for an SBA 7(a) loan.

The new alternative size standard for 7(a) loan applicants is the same as that for 504 loan applicants and is described as follows:

> "Including its affiliates, tangible net worth not in excess of $8.5 million, and average net income after Federal income taxes (excluding any carry-over losses) for the preceding two completed fiscal years not in excess of $3.0 million."

The rule sets forth a separate computation for "net income after Federal income taxes" if the applicant is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to its shareholders, partners, beneficiaries, or other equitable owners.

The 7(a) loan application forms and checklist are in the process of being revised as necessary to reflect this change. Lenders who may have questions should contact the Michigan District Office.

The temporary change to the 7(a) loan size standard is not unprecedented. SBA took similar actions in 1993, as a result of the recession of the early 1990s, and again in 2005 as part of a program aimed at helping small businesses in the wake of hurricanes Katrina and Rita.

This change also means more small businesses can take advantage of benefits made possible through the Recovery Act. On March 16, the SBA implemented two key provisions of the Recovery Act, raising the guarantee on 7(a) loans to 90 percent and reducing fees for borrowers. Since then, nationally the agency has seen average weekly 7(a) loan volume increase by more than 25 percent and new SBA loans were made by nearly 450 lenders who had not made one since October 2008.

2010 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.

The much anticipated SBA's Lender awards will be presented during lunch.

If you have any suggestions for this conference, please do not hesitate to call Al Cook at (313) 226-6075, X 221.

Bank Notes Distribution

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ARC Stabilization Loans

One of the provisions of the Recovery Act was the establishment of the America's Recovery Capital Stabilization Loan Program. The ARC Program would offer deferred-payment loans of up to $35,000 backed 100 percent by the SBA to viable small businesses that need help making payments on an existing, qualifying loan for up to six months. Since this is an entirely new program being created from scratch, it is taking several weeks for SBA personnel in Central Office to come up with the rules and regulations for this program.

We have been informed, however, that lenders must use our E-Tran process to access the ARC program. If you have an interest in participating in this program and are not presently using E-Tran, we encourage you to start now so that you will be prepared when ARC is implemented.

E-Tran is a Web-based loan application solution developed by the agency for participating lenders, creating an electronic gateway that saves lenders substantial time and resources when submitting a loan to the SBA.

To get started on E-Tran, lenders should contact:

Stephen Kucharski (202) 205-7551 or stephen.kucharski@sba.gov
Glenn Hannon (202) 205-7122 or glenn.hannon@sba.gov

The following information will be required to issue a user id/password for E-Tran:

Last Name of User:
First Name:
Middle Initial:
Lender Name:
Company:
FIRS #:
Complete Mailing Address:
Title:
Telephone Number:
E-mail Address: