



# 2009 RECOVERY ACT



HELPING SMALL BUSINESS START, GROW AND SUCCEED

## Reactivation of SBA Recovery Loan Queues

### Frequently Asked Questions

#### Reactivation of SBA Recovery Loan Queues

##### **When will SBA reactivate the Recovery Loan Queues?**

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) (P.L. 111-5). On March 16, 2009, SBA implemented sections 501 and 502 of the Recovery Act, which provide fee relief on 7(a) and 504 loans and an increased guaranty on 7(a) loans. The Department of Defense Appropriations Act, 2010 (P.L. 111-118), signed by President Obama on December 19, 2009, authorized an extension of section 502 of the Recovery Act to February 28, 2010 and provided additional funds for fee relief under section 501 and the higher guaranty under section 502.

Based on the activity to date, SBA projects that the Agency will have funds to support these two Recovery Act initiatives through the end of February, 2010. Therefore, **effective February 22, 2010, SBA is reactivating the Recovery Loan Queues.** Beginning at 12:01 a.m. Eastern Standard Time (EST) on February 22, 2010, applications for new loans may be submitted as Recovery Act loans, which will mean placement in the Recovery Loan Queues to await the availability of Recovery Act funding; or as non-Recovery Act loans, which will be funded as soon as approved, but which will not be eligible for fee relief under section 501 or the increased guaranty under Section 502.

Eligible 7(a) loan applications that are in the Recovery Loan Queue and are funded (as evidenced by the receipt of an SBA loan number) before February 28, 2010 will be eligible to receive both fee relief and an increased guarantee percentage. However, any application that is in the Recovery Loan Queue that is funded after February 28<sup>th</sup> will only be eligible for fee relief, unless Congress again extends the authority for the increased 7(a) guaranty prior to February 28<sup>th</sup>. If Congress extends the authority for the increased 7(a) guaranty after February 28<sup>th</sup>, only those applications received by SBA after the effective date of the extension will be eligible for the higher guaranty.

## Recovery Loan Queues

### **What are the SBA Recovery Loan Queues?**

The **SBA Recovery Loan Queues** are being established to smoothly transition from Recovery Act loan processing to non-Recovery Act loan processing. As the availability of Recovery Act funds draws to an end, SBA is establishing several queues for applications for new Recovery Act loans and requests for increases to previously existing Recovery Act loans:

Two queues will be established for **7(a) loans**: one queue for new Recovery Act loan applications that have been conditionally approved by SBA; and one queue for requests for increases to previously approved Recovery Act loans.

Two queues will also be established for **504 loans**: one queue for new Recovery Act loan applications that have been conditionally approved by SBA; and one queue for requests for increases to previously approved Recovery Act loans.

### **What is the order of loan approval in the SBA Recovery Loan Queues?**

As Recovery funds become available, applications placed into the SBA Recovery Loan Queues will be funded in the order they are conditionally approved by SBA, with the exception that SBA will fund requests for increases to previously approved Recovery Act loans first, before new loan applications, because these requests relate to previously approved Recovery Act loans to small businesses that have determined additional financing is needed to ensure their success.

### **When do the SBA Recovery Loan Queues begin?**

The SBA Recovery Loan Queues will begin on February 22, 2010. As of February 22, 2010, new loans may be submitted either: (1) as Recovery Act loans, which will mean being placed in a queue to await the potential availability of Recovery Act funding or may not be funded at all; or (2) as non-Recovery Act loans, which will be funded as soon as approved, but which will not be eligible for fee relief under section 501 or the increased guaranty under section 502.

### **Will the SBA loan submission process remain the same?**

Yes. Lenders and CDCs may continue to submit new loan applications under delegated authority (including E-Tran) or non-delegated authority (where SBA makes the credit decision). All applications, delegated or non-delegated, will be placed in the same SBA Recovery Loan Queue, unless the lender or CDC notifies SBA that the application is to be submitted as a non-Recovery Act loan with all applicable fees and, for 7(a) loans, lower guaranty levels. A new loan application will receive an SBA approval number only when (and if) it is funded.

### **Will the processing time be affected by the SBA Recovery Loan Queues?**

For loan applications submitted under delegated authority, placement in the queue will take approximately 24 hours. A loan application would be submitted through E-Tran. The loan application will then be assigned a loan application number and will be placed into the SBA Recovery Loan Queue.

For non-delegated loan applications, the application is submitted to the Standard 7(a) Loan Guaranty Processing Center (LGPC) or the 504 Sacramento Loan Processing Center (SLPC). The centers must receive all documentation required to make an informed credit and eligibility decision (except for PCLP 504 loans which are submitted under delegated authority). The loan application, once conditionally approved by the center, will be assigned a loan application number and placed into the SBA Recovery Loan Queue. The time for loan processing and placement in the SBA Recovery Loan Queue will take between 5 to 7 business days for the LGPC (7(a)) and approximately 3 business days for the SLPC (504). It is important for lenders and CDCs to respond quickly to requests from the centers for additional (or missing) information so as to avoid delays in conditional approval and placement in the SBA Recovery Loan Queue.

Subject to loan volume, the loan processing time itself should be minimally affected. ***However, once applications are placed in the SBA Recovery Loan Queues, they await the availability of Recovery Act funds which may result in significant delays or not being funded at all. That is why it is important to check the Transition Phase Indicator on the [www.sba.gov](http://www.sba.gov) website to see what likelihood exists for funding from Recovery Act funds. At any point while waiting in the SBA Recovery Loan Queue, an applicant can request that the lender or CDC withdraw its application from the queue and re-submit it as a non-Recovery Act loan with the applicable fees and, for 7(a) loans, the reduced SBA guaranty percentage.***

#### **Where can I find more information on the SBA Recovery Loan Queues?**

SBA Recovery loan Queue information is available at [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq).

This link will take you to information page on the queues. There is one information page for 7(a) loans and one for 504 loans. Each page will have information about the number and dollar amount of loan applications (and requests for increases) that are in the queues. This information will be continually updated.

### **Transition Phase Indicator**

#### **Will SBA indicate how many loans are ahead of my new loan application and what my chances are for having my application funded in the SBA Recovery Loan Queue?**

The web pages for the SBA Recovery Loan Queue information at [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq) explain in detail how a Transition Phase Indicator will keep you informed on the status of your new loan application in the queue and the chances for being funded as a Recovery Act loan. These pages provide information for both the applicant and the lender and this information will be continually updated.

A small business applicant (or its lender) can check the number and amount of new loan applications and requests for increases in the SBA Recovery Loan Queue that are ahead of the applicant by entering the loan application number assigned into an interface available on [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq).

#### **How do I find the loan application number assigned to my loan?**

On the interface on the [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq) web page, there is a place that will request either the social security number (for the borrower or any guarantor of the loan) or the tax ID number. When this number is entered, the loan application number will be provided.

**What is the purpose of the Transition Phase Indicator (the tri-colored graphic) on the SBA Recovery Loan Queue web page at [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq)?**

Once your loan application is conditionally approved, it will be placed in the SBA Recovery Loan Queue and be funded from Recovery Act funds if and when they become available. The Transition Phase Indicator has three colors: green, yellow and red to give you an easy way of determining how likely your conditionally approved loan application is to get Recovery Act funding.

**GREEN**

If the gauge is green, this means that Recovery Act funds are still available and the likelihood is **high** that your conditionally approved loan application in the queue will be funded.

**YELLOW**

If the gauge is yellow, this means the likelihood is **moderate to low** that Recovery Act funds necessary for SBA to fund your conditionally approved loan application in the queue will be available. This is because the funds will only come available from the cancellation of previously approved Recovery Act loans. Requests for increases to existing Recovery Act loans take precedence over new loan applications in the Recovery Loan queue. *There is no assurance that enough previously approved Recovery Act loans will be cancelled to cover new loan applications in the Recovery Loan queue. However, to maximize the use of all available Recovery Act funds, SBA is making this opportunity available to those applicants who choose to wait for possible funding.*

**RED**

SBA will continue to monitor the lending activity daily to determine the date at which the SBA Recovery Loan Queue will no longer be able to accept new loan applications for possible funding and will provide further guidance at that time.

### **Withdrawal from the SBA Recovery Loan Queue**

**Can loan applications withdrawn from the SBA Recovery Loan Queue be re-submitted as non-Recovery Act loans?**

Yes. Delegated lenders may re-submit these loans under their delegated authority. For non-delegated loans, the lender or CDC must contact the appropriate processing center to request that the loan applications withdrawn from the queue be processed as non-Recovery Act loans with the applicable fees and, if a 7(a) application, the reduced SBA guaranty percentage.

**Can the same application that was withdrawn be used to re-submit as a non-Recovery Act loan?**

Yes. The lender or CDC may be required to revise its analysis to address the greater risk with a smaller SBA guaranty or the impact of increased fees that the borrower will now need to pay. Additionally, the lender or CDC may need to obtain current financial information or modify any SBA forms if the terms of the loan have changed.

### **When does the queue end for increases to previously approved Recovery Act loans?**

SBA will accept requests for increases that have been conditionally approved into the SBA Recovery Loan Queues through September 17, 2010. The queue for increases will be cutoff at 11:00 p.m. Eastern Daylight Savings Time (EDST), September 30, 2010. After September 30, 2010, SBA cannot approve any increases to previously approved Recovery Act loans.

### **Cancellations of Recovery Act Loans**

#### **Is there a cutoff date for lenders and CDCs to notify SBA of cancellations of their previously approved Recovery Act loans?**

Yes. It is **extremely important** that Lenders and CDCs notify SBA by September 24, 2010 about the cancellation of any previously approved Recovery Act loans as these funds will be recycled to fund conditionally approved new loans in the SBA Recovery Loan Queues (through February 15, 2010) and requests for increases to previously approved Recovery Act loans (through September 30, 2010).

#### **How do we notify SBA that a Recovery Act loan is cancelled?**

For those lenders and CDCs that have access to E-Tran Servicing, they should use E-Tran to report loans as cancelled. For non-E-Tran users, lenders for 7(a) loans should contact the appropriate Commercial Loan Servicing Center. Contact information for these centers is found at <http://www.sba.gov/aboutsba/sbaprograms/elending/inde.html>.

For 504 loans, contact the Sacramento Loan Processing Center. Contact information can be found at <http://www.sba.gov/aboutsba/sbaprograms/elending/index.html>.

### **Additional Information**

#### **Whom can I contact with further questions?**

Questions concerning the Recovery Act Transition Phase should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at [www.sba.gov/localresources](http://www.sba.gov/localresources). In addition, there are additional links at the SBA Recovery Loan website [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq).