



SBA Procedural Notice

TO: All Employees

CONTROL NO.: 5000-1196

SUBJECT: Small Loan Advantage Program **EFFECTIVE:** 2-14-2011

Beginning February 15, 2011, the Small Loan Advantage Program is available to lenders participating in the Preferred Lenders Program (PLP).

Small Loan Advantage permits PLP lenders to use the shorter, more streamlined loan application forms designed originally in 2008 for use in the Small/Rural Lender Advantage (S/RLA) program by community lenders with limited SBA loan approval activity. These streamlined forms, some of which have been revised, may now be used by PLP lenders for loans of \$250,000 or less. These forms will replace SBA Forms 4 and 4-I for Small Loan Advantage loans.

Background

In 2008 S/RLA was rolled out to accommodate the unique loan processing needs of small community/rural lenders, many of which do not make SBA 7(a) loans or make very few SBA loans. At that time, the Agency, in implementing and testing this new streamlined concept, stated that it intended to also assess the feasibility of expanding the use of the modified loan application forms and process to the PLP.

A review of the portfolio performance of S/RLA loans has led SBA to conclude that the streamlined process does not appear to negatively impact loan performance and, therefore, may be expanded to PLP lenders for their smaller loans. SBA anticipates that the use of this streamlined process by its PLP lenders will encourage PLP lenders to increase the number of smaller loans to small business borrowers.

Description of Small Loan Advantage

The expansion of S/RLA to include PLP lenders for smaller loans is known as the “Small Loan Advantage (SLA)” program. It is available to all SBA-approved PLP lenders.

Some of its features include:

- For loans of \$250,000 or less;
- Use of streamlined application forms designed for S/RLA;
- Same PLP Eligibility Checklist as for other PLP loans processed under delegated authority (the PLP checklist has been revised to include SLA);
- Use of E-tran required for both delegated and non-delegated loan submissions; and
- Lenders may use their own note and guaranty agreements rather than SBA’s versions (SBA Forms 147, 148 and 148L).

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SBA Form 1353.2 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

Forms for SLA applications processed under a PLP lender's delegated authority:

Form 2301 (Part A): Lender Advantage Initiative, Small Business Application for SBA Guaranteed Loan;

Form 2301 (Part B): Lender's Application for Guaranty; and

Form 7: Eligibility Information for Preferred Lenders Program (PLP) Loans (including Small Loan Advantage (SLA) Loans). [This form is commonly referred to as the "Eligibility Checklist."]

Forms for SLA applications from PLP lenders submitted under non-delegated authority:

Form 2301 (Part A): Lender Advantage Initiative, Small Business Application for SBA Guaranteed Loan;

Form 2301 (Part B): Lender's Application for Guaranty; and

Form 2301 (Part C): Lender Advantage Initiative, Eligibility Questionnaire (instead of Form 7).

All forms are available at

<http://archive.sba.gov/tools/Forms/smallbusinessforms/fsforms/index.html>.

SLA Loan Application Submission Process

All SLA applications must be submitted using E-tran (SBA's electronic origination program). For those loans that are ineligible to be processed under a lender's delegated authority, the lender will submit general application information using E-tran and then submit the application documentation electronically to the Standard 7(a) Loan Guaranty Processing Center (LGPC). The lender must retain copies of the documentation in its loan file for all SLA loans whether submitted under delegated or non-delegated authority.

Specific Steps for Submitting All SLA applications

E-tran will be modified to include a Small Loan Advantage choice.

After selecting Small Loan Advantage, the PLP lender will complete the E-tran screens up to the point of "Eligibility."

E-tran has been modified to then ask the following question:

Is this loan eligible to be processed under the PLP lender's delegated authority?

Is this loan eligible to be processed under the PLP lender's delegated authority?

Process for Loans That Are Eligible for Submission Under Delegated Authority

If the PLP lender checks "Yes" to indicate the loan is eligible for submission under its delegated authority, the lender will receive an SBA Loan Approval Number.

Process for Loans That Are Ineligible for Submission Under Delegated Authority

If the PLP lender checks "No" to indicate that the loan is not eligible for submission under its delegated authority, E-tran will generate a message instructing the lender to e-mail the application forms along with the SBA Loan Application Number provided by E-tran to the LGPC at slaloans@sba.gov.

The attachments need to include:

- Forms 2301 (Parts A, B and C);
- Other SBA forms required by Form 2301 (Part A) in response to "yes" answers on the form [For example, Form 159 (Compensation Agreement) and/or Form 912 (Statement of Personal History)]; and
- Any required supplemental documents to the forms, such as the Lender's Credit Memo.

Please be sure that the contact information (name, e-mail and phone number) of the lender's loan officer who can discuss the underwriting of the loan is on the top of the e-mail to the LGPC.

Once the LGPC receives the e-mail and attachments, the LGPC will begin reviewing the loan for creditworthiness and eligibility.

Closing Documents

A lender will have the option of closing its SLA loans with the lender's own note (rather than SBA Form 147) and its own guaranty agreements (rather than SBA Forms 148 and 148L).

If a lender uses its own note form, the lender needs to ensure that the note is legally enforceable and assignable; has a stated maturity; and is not payable on demand. SBA does not guarantee demand notes and will not purchase defaulted loans that include a demand note.

Application for E-tran Access

For those PLP lenders who currently do not use E-tran, application for E-tran access is easily made as follows:

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- Go to <https://eweb.sba.gov/gls>.
- Select “ Request SBA User Id” located on the left hand navigation tree. This will bring you to the application screen which will require the individual create a “User ID.” This User ID can be from 8-15 characters long.
- Once this step has been completed, the new user will receive an e-mail from SBA IT Security with a temporary password that the lender will then use to log onto the system.
- Once logged on, the system will automatically prompt the user to create a new password. The password selected has to be at least 8 characters long and include an upper case letter, a lower case letter, and a number or special character such as an asterisk.

Gaining access may take up to 72 hours to be approved. The lender should expect an e-mail from SBA IT Security notifying the lender that it has been approved for access to E-tran.

If the PLP lender has difficulty with this process, the lender should contact its Lender Relations Specialist in the local district office for assistance.

Questions

Questions on Small Loan Advantage may be directed to the Lender Relations Specialist in the local SBA district office. The local SBA district office may be found at <http://www.sba.gov/localresources/index.html>.

Grady B. Hedgespeth
Director
Office of Financial Assistance