

CHAPTER 3

FACT SHEETS

This chapter provides the Lender with individual fact sheets on the various delivery methods of 7(a) loan processing, closing and servicing. In addition, there is a fact sheet on another SBA loan program specifically designed to finance long-term, fixed assets known as the 504 Program. Although the lender does not receive an SBA guaranty on its participation (generally 50% of the project financing) in this program, the lender receives a senior lien on the project assets with a 100% SBA guaranteed fixed-rate debenture secured by a subordinate lien on the project assets financing approximately 40% of the project costs.

PLP PROGRAM FACT SHEET

SBA's Preferred Lenders Program (PLP) was created in 1984 as a means to delegate much of the Agency's decision making authority regarding loan approval, loan servicing and liquidation activity to lenders who have demonstrated through their SBA-guaranteed portfolios a thorough knowledge of SBA's loan-making and loan servicing requirements.

SOP 50-10(4), subpart D, chapter 3 describes the PLP program including how to become a PLP lender, how a PLP lender expands its PLP area, and the requirements for loan processing under the PLP authority. SOP 5050 4, chapter 6, ¶ 5 covers PLP loan servicing requirements. SOP 5051 2, chapter 10, ¶ 5 covers the PLP liquidation process. All SOPs are available at www.sba.gov/banking.

Lender Eligibility:

Current SBA participants who meet SBA's criteria for being a PLP Lender may apply through their local SBA office. The basic factors SBA will consider are whether or not the lender:

1. Has demonstrated the required ability to process, close, service and liquidate loans;
2. Has demonstrated the ability to develop and analyze complete loan packages; and
3. Has a satisfactory SBA loan portfolio performance history with SBA.

PLP Loan Processing:

The PLP loan approval process is expedited because:

- SBA grants unilateral authority to the PLP lender to make the credit decision.
- For an eligibility determination, SBA only requires a completed checklist from the PLP lender.
- Loans are processed through a centralized processing center.

These procedures typically result in a one-day turnaround time between loan approval request submission by the PLP lender to SBA and SBA's decision. The target time for a standard 7(a) loan between submission and the SBA decision is 13 business days.

Centralized SBA Processing. SBA has centralized the processing of all requests for guaranty using PLP procedures at the Agency PLP Loan Processing Center in Sacramento. The PLP loan applications still must complete all the requested forms and exhibits. However, only a summary of the borrower's information and an eligibility checklist are submitted to SBA. When the PLP lender believes that a loan meets SBA's eligibility criteria and is creditworthy, the lender sends the Center:

1. A copy of the front page of SBA Form 4 which includes the borrower information;
2. A copy of the front page of SBA Form 4-I; and
3. Any forms or checklists required by the Center (to provide evidence of eligibility and required data inputs to generate a loan number).

Lenders submit their applications for SBA guaranty to the PLP Processing Center in Sacramento, California. The address is

PLP Processing Center,
U.S. Federal Courthouse,
501 I Street, Suite 12,
Sacramento, CA 95814;
Telephone 916/930-2410
Fax 906/930-2180.

Business Types Not Eligible For PLP Processing

Certain types of businesses are not eligible to be processed under PLP procedures due to additional requirements for compliance with federal laws and regulations. Some of these are agricultural and farm businesses; fishing and shore operations (including commercial fishing activities and the construction of new fishing vessels; medical facilities (including residential care facilities); and applicants doing business in foreign countries.

Loan Programs Not Eligible for PLP Processing

There are certain types of SBA loans that can not be processed as a PLP loan: These include 7(a) Combination Financing if the PLP lender is making both the commercial loan and the 7(a) loan; Qualified Employee Trusts loans; CAPLines loans; revolving credits except under the Export Working Capital program (EWCP) and then only if the lender has special authority from SBA to make PLP EWCP loans; microloan demonstration loans; third-party loans associated with 504 loans; and any pilot program unless SBA authorizes use of PLP for the pilot. Additional restrictions are found in SOP 50-10(4), subpart D, chapter 3, para. 7.

Post Approval Loan Administration A PLP lender is permitted by SBA to service and liquidate all SBA loans in its portfolio with the same PLP authority. There is no differentiation between loans processed as PLP loans and loans processed as non-PLP loans. In addition, the PLP lender is required to service all SBA-guaranteed loans in its portfolio in the same manner as it services its non-guaranteed loans. The lender's policies and procedures used for loan servicing must be based on prudent and responsible lending practices

The PLP lender may take any necessary servicing or liquidation action consistent with its unilateral authority (as described in SOP 50 50 4, chapters 4 and 6 and SOP 50-51) and prudent lending/credit practices. Prohibited actions include: 1) taking any action that confers a preference on the lender; 2) accepting a compromise settlement without prior written SBA consent; 3) selling or pledging more than 90% of a PLP loan; and (4) handling non-routine litigation or litigation with costs that exceed \$5,000.

LOW DOC FACT SHEET

SBA's Low Documentation Loan Program (LowDoc) Program Guide and all LowDoc forms can be accessed at www.sba.gov/banking/enhance.html#sbalowdoc

LowDoc is a streamlined method by which the Agency provides its guaranty to eligible lenders on loan applications from eligible small businesses that are for \$150,000 or less. The streamlining in this program involves:

- (1) Reduced paperwork for both the lender and applicant once the lender decides to apply for a guaranty on its proposed loan;
- (2) A quicker response by SBA on its decision to guaranty; and
- (3) Alternative post approval responsibilities from standard practices for the lender.

LowDoc relies on the character and credit history of the borrower and the experience and judgment of the lender. The lender is expected to perform credit analysis on LowDoc loans in a manner consistent with prudent lending practices and to summarize that analysis in its request to SBA for a loan guaranty.

Participation in the LowDoc Program is open to existing PLP and CLP lenders, plus other lenders who are experienced in making small business loans of \$150,000 or less, including those which are not currently SBA lenders. Non-PLP/non-CLP lenders who want to become LowDoc lenders must have executed a Loan Guaranty Agreement (SBA Form 750) and be experienced in making small business loans of \$150,000 and less. In accordance with 13 CFR Part 120.410, a lender must have at least 20 qualifying loans outstanding that were initially approved in an amount of \$150,000 or less. Qualifying loans are those that are categorized as commercial, industrial, or commercial real estate loans as identified on Call Reports. Lenders will certify to this fact by signing the LowDoc Application Form.

The maximum amount for a LowDoc loan to any one small business, plus its affiliates, including the balance of any other outstanding SBA debt, except disaster assistance loans, is \$150,000. A business can have more than one outstanding LowDoc loan so long as its total outstanding SBA guaranteed debt of all loans, regardless of the guaranteed portion, does not exceed \$150,000.

To eliminate the need to deal with numerous and varied size standards for different industries, LowDoc has established its own alternative size standard. With a few, specific exceptions, an applicant (including all affiliates) must have annual sales averaged over the preceding 3 fiscal years of \$5.0 million per year or less **and** employ 100 or fewer individuals averaged over the previous 12 calendar months from the date of application. Applications that do not meet the special size standards for LowDoc but do meet regular 7(a) size standards must be processed under procedures other than LowDoc.

In addition, LowDoc loans are **not** allowed under the following SBA programs: Export Working Capital Program, International Trade, CapLines, Defense Loan and Technical Assistance (DELTA), and Pollution Control.

Lenders are to analyze and document LowDoc loans in a manner consistent with prudent lending practices. Instead of the traditional in-depth analysis of a 7(a) application, SBA reviews the information submitted by lenders on LowDoc applications, and, if applicable, the lender's credit analysis and the applicant's financial statements. However, the lender is expected to perform the same level of analysis as it does for similar non-SBA loan requests and consistent with prudent lending practices.

In order to maintain the program's credit quality and streamlined application processes, complicated applications requiring a great amount of explanation or marginal applications which need an in-depth analysis should be submitted under regular 7(a) procedures.

The maximum SBA guaranty of LowDoc loans is 85 percent.

Lenders will submit applications of an SBA guaranty to one of two LowDoc Processing Centers (LDPC), depending on the location of the small business concern being financed. If the business is located in SBA Region I, II, III, IV, or V, the application will be submitted to the Hazard LDPC, 262 Black Gold Boulevard, Hazard, KY 41701, telephone 606/436-0801; fax 606/436-2600. If it is in SBA Region VI, VII, VIII, IX or X, the application will be submitted to the Sacramento LDPC, U.S. Federal Courthouse, 501 I Street, Suite 12-200, Sacramento, CA 95814; telephone 916/930-2410; fax 906/930-2180.

Lender submits only a one-page LowDoc Application Form. Other documents should only be submitted upon request by SBA. Lenders can either fax or mail the application package to the LDPC. SBA Form 4-L, Application for LowDoc Loan, including complete instructions for the applicant and lender and other LowDoc related information, can be found at www.sba.gov/banking/enhance.html#sbalowdoc.

The lender must close LowDoc loans in accordance with the terms and conditions specified in the Authorization as well as according to standard 7(a) procedures.

SBAEXPRESS FACT SHEET

The *SBAExpress* Program Guide and all *SBAExpress* forms can be accessed at <http://www.sba.gov/banking/enhance.html#sbaexpress>.

SBAExpress, formerly *FA\$TRAK*, was established as a pilot program in 1995 and has been extended as a pilot until September 30, 2005.

The *SBAExpress* program, which also includes the subprogram Export Express, leverages private sector resources by transferring additional authority and autonomy to selected SBA lenders. The program reduces the number of government mandated forms and procedures and streamlines the processing and reduces the cost of smaller, less complex SBA loans. The program allows lenders to utilize, to the maximum extent possible, their respective loan analyses, procedures, and documentation. Lenders can use their own application forms, internal credit memoranda, notes, collateral documents, servicing documentation, and liquidation documentation. However, in using their documents and procedures, lenders must follow their established and proven internal credit review and analysis procedures used for their non-SBA guaranteed commercial loans. In return for the expanded authority and autonomy provided by the program, lenders agree to accept a maximum SBA guaranty of 50%.

Centralized SBA processing. To further reduce program costs, and to ensure program consistency, the current processing of *SBAExpress* loan applications has been centralized in SBA's loan processing center in Sacramento while loan purchases have been centralized in SBA's Fresno and Little Rock Commercial Loan Servicing Centers. The Sacramento Center reviews the application for completeness and issues an SBA loan number, generally within 24 hours.

Lender eligibility. Current 7(a) lenders who meet the *SBAExpress* program's minimum SBA loan volume requirements as well as other criteria are eligible for the program. Other lenders who currently are not 7(a) lenders may also be eligible if they meet SBA's lender requirements as set forth in subpart D of SOP 50-10(4) and become an approved SBA lender before participating in *SBAExpress*. These lenders must continue to meet several performance criteria including acceptable currency in its SBA portfolio, timely 1502 reporting, etc.

Loan eligibility. SBA business loan eligibility, policy, and procedures apply to *SBAExpress* loans, and the *SBAExpress* lender must apply all SBA business loan requirements, including those in the Small Business Act, 13 CFR Parts 120 and 121, and SBA Standard Operating Procedures (SOPs 50 10(4), 50 50 4, and 50 51 2), unless specifically identified as inapplicable in the *SBAExpress* Guide. Also, due to their inherent complexity or other issues, certain types of loans, loan programs, and businesses are not eligible for *SBAExpress*. Qualified lenders may be authorized to make eligibility determinations.

Credit analysis. The *SBAExpress* credit analysis and credit decision processes are delegated to the lender. However, the lender is required to use appropriate and generally accepted credit analysis processes and procedures, and these procedures must be consistent with those used for its non-SBA guaranteed commercial loans. Acceptable analytical processes include “credit scoring,” if the lender uses credit scoring for non-SBA guaranteed commercial loans.

Loan amount and guaranty percentage. The maximum loan amount for *SBAExpress* is \$2,000,000. The SBA guaranty on an *SBAExpress* loan may not exceed 50%. The aggregate balance of all *SBAExpress* and *FA\$TRAK* loans to a borrower and its affiliates may not exceed \$2,000,000. The aggregate balance of the SBA guaranteed portions of *SBAExpress* and all other outstanding SBA loans to a borrower and its affiliates may not exceed \$1,500,000.

Revolving Line of Credit Loan term. *SBAExpress* revolving line of credit loans may be offered up to a maximum term of seven years, and maturity extensions may be included at the outset of the loan provided the combined term does not exceed 7 years. In addition, an *SBAExpress* revolver may consist of revolving and maturity extensions of any length, as long as the combined term does not exceed 7 years. An *SBAExpress* revolving loan with a term of less than 7 years may be repeatedly renewed, but only up to a maximum of 7 years from the original date of the note. *SBAExpress* revolving loans may be extended past the initial 7 years only as a result of a workout situation.

Interest rate. For *SBAExpress* loans, a lender may charge up to 4.5 percent over the prime rate for loans over \$50,000 up to \$250,000 and up to 6.5 percent over the prime rate for loans of \$50,000 or less, regardless of the maturity of the loan. For variable rate loans, an *SBAExpress* lender is not required to use the base rate identified in the Federal Register. The amount of interest SBA will pay to a lender following default of an *SBAExpress* loan is capped at the maximum interest rates for the standard 7(a) loan program.

Collateral. Under *SBAExpress*, lenders are not required to take collateral for loans of \$25,000 or less. For *SBAExpress* loans the lender must follow the collateral policies and procedures that it has established and implemented for its non-SBA guaranteed commercial loans, which SBA expects will be commercially reasonable and prudent practices for lenders generally. For *SBAExpress* loans greater than \$150,000, the lender must obtain a lien on sufficient business collateral to, in the lender’s judgment, adequately secure the loan.

Fees. The SBA guaranty and servicing fees are the same for *SBAExpress* as for regular 7(a) loans. The lender may charge the same additional fees for *SBAExpress* loans as it charges for its non-SBA guaranteed commercial loans. However, if the loan is purchased by SBA, the Agency will not purchase any portion of the loan balance that consists of these other fees charged to the borrower.

Disbursement of loan proceeds. *SBAExpress* loan funds may be accessed through a variety of methods consistent with the way the lender normally conducts business for its non-SBA guaranteed commercial loans, including through a credit card. However, lenders are expected to take reasonable and prudent steps to ensure loan proceeds are consistently and exclusively used for business related purposes.

Secondary market. *SBAExpress* loans may be sold on the secondary market. However, for variable rate loans, the base rate must be the low prime rate as published each business day in a national financial newspaper or SBA's Optional Peg Rate.

Loan application. *SBAExpress* loan application packages must include the forms and information the lender requires so that it can make an informed eligibility and credit decision. The applicant must certify the application as true and complete. With some exceptions, the only documentation required by SBA from the applicant under *SBAExpress* is the SBA Form 1919, "SBAExpress Borrower Information Form," which must be signed and dated by the applicant. The *SBAExpress* lender sends to the Center the "Request for Loan Number" and any forms or checklists required by the Center (to provide evidence of eligibility and required data inputs to generate the loan number).

Application for SBA guaranty. The lender requests an SBA loan number from the Sacramento Processing Center. The Center reviews the request for loan number to check that the lender provided the required information and to see if there are any eligibility issues (or for Delegated Eligibility Lenders, to see if the lender certified that the loan is eligible). This is a quick review of documentation. The loan does not have an SBA guaranty until the Center issues a loan number. The lender completes the *SBAExpress* Loan Authorization without SBA review and signs it on behalf of SBA.

Loan closing, servicing, and liquidation. The *SBAExpress* lender must close, service, and liquidate its *SBAExpress* loans using those practices and procedures that the lender uses for its non-SBA guaranteed commercial loans, but under all circumstances, the practices used for *SBAExpress* loans must be reasonable and prudent commercial lending practices. The *SBAExpress* lender may take any necessary servicing or liquidation action for any *SBAExpress* loan in its portfolio, with certain exceptions described in the Program Guide (for which the lender must obtain SBA's prior written approval). *SBAExpress* lenders must complete the liquidation of all *SBAExpress* loans with a remaining collateral value in excess of \$1,000, including those immediately purchased by SBA. In pursuing liquidation after SBA's purchase, *SBAExpress* lenders must provide SBA with a liquidation status report every 180 days until all recovery is completed. Within 60 days of when the liquidation is finished, the lender must provide the Agency with a liquidation wrap-up report summarizing all recovery activity, collections, and expenses and must forward to SBA its proportionate share of any recovery proceeds not already remitted to the Agency.

Guaranty purchase. Generally, SBA purchases its guaranteed interest after the lender has fully liquidated all collateral and the lender has pursued all avenues of collection. However, upon request of a lender, SBA generally will process the purchase immediately

upon lender's request: Export Express loans; loans with a principal balance of \$50,000 or less at the time of the purchase request; and loans that involve, regardless of the loan balance, bankruptcy, judicial foreclosure, litigation, or other unusual liquidation circumstances likely to extend the liquidation process more than 90 days past the earliest date that the lender could request purchase.

EXPORT EXPRESS FACT SHEET

The Export *Express* program is designed to help SBA meet the export financing needs of small businesses too small to be effectively met by existing SBA export loan guaranty programs. It is a subprogram of *SBAExpress* and is therefore subject to the same loan processing, making, closing, servicing, and liquidation requirements as well as the same maturity terms, interest rates, and applicable fees as for other *SBAExpress* loans, with some exceptions described in the *SBAExpress* Program Guide.

An SBA Export *Express* loan must be used to develop or expand the small business's export markets. Proceeds may be used to:

- Finance standby letters of credit used for either bid or performance bonds;
- Finance export development activities such as export marketing and promotional activities, participation in foreign trade shows, translation of product literature for foreign markets, and other activities designed to initiate or expand the applicant's export of its products/services from the U.S.;
- Provide transaction-specific financing for overseas orders;
- Provide revolving lines of credit for export purposes, the term of which must not exceed 7 years. (SBA recognizes that in some instances, as a normal course of business, the borrower may use portions of those revolvers for domestic purposes, but SBA expects that no less than 70 percent of the revolver to be used for export related purposes;
- Provide term loans and other financing to enable small business concerns, including small business export trading companies and small business export management companies, to develop foreign markets; and
- Acquire, construct, renovate, modernize, improve or expand production facilities or equipment to be used in the U.S. in the production of goods or services to be exported from the U.S.

Proceeds may not be used to finance overseas operations, except for the marketing and/or distribution of products/services exported from the U.S. Also, existing SBA guaranteed loans may not be refinanced under SBA Export *Express*.

The maximum SBA guaranty on an SBA Export *Express* loan is the same as that for a regular 7(a) loan, or currently 85% for loans of \$150,000 and under and 75% for loans over \$150,000. Under the Export *Express* program, the aggregate balance of all *FASTRAK*, *SBAExpress*, *CommunityExpress*, and Export *Express* loans to a borrower and its affiliates may not exceed \$250,000.

Recognizing that technical assistance can be crucial to the success of small business exporters, SBA Export *Express* includes a technical assistance component, delivered through the U.S. Export Assistance Centers ("USEACs"). When an SBA Export *Express* loan is approved, the Sacramento Center will notify the USEAC where the borrower is located. The USEAC representative will contact the borrower to offer appropriate assistance, which may include training offered by the Export Trade Assistance

Partnership, SBDC International Trade Center, SCORE, District Export Council, or Export Legal Assistance Network.

COMMUNITY EXPRESS FACT SHEET

The CommunityExpress Program Guide and all CommunityExpress forms can be accessed at <http://www.sba.gov/banking/enhance.html#commexp>.

CommunityExpress was established as a pilot program in May 1999 with nine participating lenders, later expanded to include PLP and selected non-PLP lenders. The program will run as a pilot through September 30, 2005.

CommunityExpress is a cooperative effort between SBA and the National Community Reinvestment Coalition (NCRC) and its member organizations. Under the pilot program, eligible lenders use streamlined and expedited loan processing and approval procedures to increase lending in certain geographic areas that SBA has designated. Under the CommunityExpress pilot program, borrowers must receive pre- and post-loan closing technical and management assistance from local non-profit providers and/or from participating lenders, with that assistance coordinated, arranged, and, when necessary, paid for by CommunityExpress lenders.

CommunityExpress participants are allowed to use, to the maximum extent possible, their own loan analyses, loan procedures and loan documentation. This includes their own application forms, internal credit memoranda, notes, collateral documents, servicing documentation and liquidation documentation. However, in using their documents and procedures, participants must continue to follow their established and proven internal credit review and analysis procedures for loans of similar size and type.

Centralized SBA processing. SBA has centralized its processing of CommunityExpress loan applications in SBA's loan processing center in Sacramento. SBA's Commercial Loan Servicing Centers in Little Rock or Fresno handle all routine loan servicing and liquidation issues. Fresno handles all loan purchases.

Lender eligibility. In July 2000 SBA expanded the CommunityExpress program to include PLP lenders that have at least a 90% currency rate on their SBA 7(a) portfolio for the last 3 fiscal years and to selected non-PLP lenders that meet the eligibility requirements for participating in the SBAExpress program.

Loan eligibility. SBA business loan eligibility, policy, and procedures generally apply to CommunityExpress loans, and the CommunityExpress lender must apply all SBA business loan requirements, including those in the Small Business Act, 13 CFR Parts 120 and 121, and SBA Standard Operating Procedures (SOPs 50 10, 50 50 and 50 51) unless specifically waived by the Program Guide. Lenders can use CommunityExpress only for regular 7(a) loans. The same types of businesses that are not eligible for PLP and SBAExpress are not eligible for CommunityExpress. Additional restrictions specific to CommunityExpress are set forth in the Program Guide.

Credit analysis. The CommunityExpress credit analysis and decision is delegated to the lender. However, the lender is required to use appropriate and generally accepted credit

analysis processes and procedures, and these procedures must be consistent with those used for similar size and type loans the lender makes without an SBA guaranty. Acceptable analytical processes include “credit scoring” if the lender uses credit scoring for similar size and type non-SBA loans. The credit analysis technique must be documented, must be kept in the loan file, and is subject to SBA review.

Application. CommunityExpress loan packages must include the forms and information the lender requires to make an informed eligibility and credit decision as well as documentation of the assessment the lender makes of the applicant’s management and of the management assistance that the applicant will need. Generally, the only form required by SBA from the applicant is the SBA Form 1919CX, *CommunityExpress* Borrower Information Form, which must be signed and dated by the applicant. The Form 1919CX includes the certifications and requirements set forth in SBA Forms 159, 601, 912, 1261 and 1624. This form does not have to be submitted to SBA, nor does it have to be completed prior to requesting a loan number from the Sacramento Loan Processing Center. However, the lender must ensure that this document is properly executed, by all appropriate individuals prior to disbursement. The lender must keep a copy of the completed Form(s) 1919 in the loan file. The lender is responsible for the completeness of all of the required forms and information.

Application for SBA guaranty. The lender sends to the Sacramento processing center its “Request for Loan Number” and any forms or checklists required by the processing center. The processing center performs a quick look at the applicant’s eligibility, but does not perform any credit analysis. If the processing center determines the loan is eligible and funds are available, it will issue an SBA loan number (usually within 36 hours).

Authorization and loan closing. Once SBA issues the loan number, the lender drafts the Authorization without SBA review and signs it on behalf of SBA. The lender closes and disburses the loan as it would close and disburse its conventional loans. The lender does not have to use SBA forms in closing and disbursing the *CommunityExpress* loans. Prior to disbursement, however, the lender does have to ensure certain conditions specific to SBA lending are met.

Maximum guaranty and loan amount. To encourage participating lenders to aggressively address the targeted markets, and to offset some of the additional costs associated with the technical assistance component, SBA’s loan guaranty under the pilot program is the same as under the regular 7(a) program – a maximum of 85% on loans up to \$150,000 and a maximum of 75% on loans over \$150,000. The aggregate balance of all *CommunityExpress*, *SBAExpress* and *Export Express* loans to a borrower and its affiliates is \$250,000.00. The aggregate balance of SBA guaranteed portions of all *CommunityExpress* and other outstanding SBA guaranteed loans to a borrower and its affiliates is \$1,500,000.

Maximum maturity. Maturities on *CommunityExpress* loans are the same as for any other 7(a) loan, except that revolving *CommunityExpress* loans are limited to a maximum

maturity of 7 years. The term of a *CommunityExpress* loan may not exceed the period of the SBA guaranty commitment.

Interest rates. *CommunityExpress* loans are subject to the same maximum interest rate as all SBA loans, as published in the Federal Register. For variable rate loans, a *CommunityExpress* lender is not required to use the base rate identified in the Federal Register. It may use the same base rate of interest it uses on its similar non-SBA loans. However, the interest rate throughout the term of the loan may not exceed the maximum allowable SBA interest rate and the loan may be sold on the secondary market only if the base rate is the low prime rate as published each business day in a national financial newspaper or is SBA's Optional Peg Rate.

Collateral. Under *CommunityExpress*, to encourage smaller loans and to facilitate access to smaller lines of credit, lenders are not required to take collateral for loans of \$25,000 or less. For *CommunityExpress* loans greater than \$25,000, the lender may comply either with SBA's general collateral policy that, to the extent that collateral is available, it must be taken to fully secure all loans backed by taxpayer dollars, or with the collateral policies and procedures that the lender has established and implemented for similar size and type loans not guaranteed by the government, which SBA expects will be reasonable and prudent. Lenders may consider the technical assistance the borrower will receive as a collateral enhancement.

Refinancing: Under *CommunityExpress*, a lender may refinance an existing non-SBA guaranteed loan under certain conditions. Existing SBA guaranteed loans may not be refinanced under *CommunityExpress*, unless the transaction is the purchase of an existing business that has an existing SBA loan that is not with the applicant's *CommunityExpress* lender.

Fees. The SBA guaranty and servicing fees are the same for *CommunityExpress* as for regular SBA loans. The lender may charge the same other fees for *CommunityExpress* loans that it charges for its non-SBA loans of similar size and type, but SBA will not purchase any portion of the loan balance that consists of fees charged to the borrower.

Disbursement of loan proceeds. Lenders may disburse *CommunityExpress* loan funds through a variety of methods consistent with the way the lender normally conducts business for similar size and type loans, including through a credit card. However, lenders are expected to take reasonable and prudent steps to ensure loan proceeds are consistently and exclusively used for business related purposes.

Secondary market. *CommunityExpress* loans may be sold on the secondary market, as long as for variable rate loans, the base rate is the low prime rate as published each business day in a national financial newspaper or is SBA's Optional Peg Rate.

Loan servicing and liquidation. Lenders must service and liquidate *CommunityExpress* loans using generally accepted commercial banking standards employed by prudent lenders. In the case of revolving loans and loan funds accessed by credit cards or some

sort of cash advance system, the lender must use appropriate diligence to ensure ongoing disbursements are used exclusively for business related purposes. The lender must liquidate *CommunityExpress* loans unless SBA advises in writing that SBA will liquidate the loan. The lender must take ordinary protective measures when merited and may recover expenses of protection of collateral from the proceeds of the sale of collateral. Certain actions, specified in the Program Guide, require the prior written consent of SBA. Lenders do not have to submit liquidation plans to SBA, although the lender must document any action taken during the liquidation of a loan. SBA will review liquidation actions as part of the general review of a lender's use of the *CommunityExpress* program.

Guaranty purchase. Generally, SBA purchases its guaranty after the lender has fully liquidated all collateral and pursued all collectible obligors, and SBA has reviewed the loan documentation, which must include lender's liquidation wrap-up report with all the information required by SOP 50-51-2 and copies of the collateral documents.

504 LOAN FACT SHEET

Information about the 504 program is available at
<http://www.sba.gov/banking/index504.html>.

ELIGIBLE USES OF THE SBA 504 LOAN:

1. For the purchase of existing building and land.
2. For the purchase of land and the construction of a new facility - must be owner occupied.
3. For renovation, additions, and/or leasehold improvements.
4. For site and land improvements related to the project including at least 5% towards sidewalks, curbs, etc.
5. For major pieces of machinery and equipment that has a useful life of up to 10 years or more.
6. For a small percentage of furniture, fixtures, and office-type equipment.
7. For soft costs related to the project - your attorney and accountant, architect, site planner, engineer, etc.
8. For interim closing costs, including interim interest.
9. An allocation of 10% contingency on any construction or renovation line items.
10. Most fees associated with the funding and closing of the 504 loan can be added to the 504 financing amount; however, the 504 loan cannot fund the CDC's Closing Attorney's fee (approximately \$2,500.00).

SBA 504 ELIGIBILITY FACTORS:

1. The business and any affiliates must have a tangible net worth less than \$7 million.
2. The business and any affiliates must have average net profits after tax of less than \$2.5 million in the last two years.
3. There must be one (1) job created or retained for every \$50,000 of SBA 504 funds, *unless project meets one of the following exceptions:*
 - (A) Business District Revitalization
 - (B) Expansion of Exports
 - (C) Expansion of a Minority owned business (51% or more minority ownership)
 - (D) Expansion of a Veteran owned business (51% or more veteran ownership)
 - (E) Expansion of a Woman owned business (51% or more woman ownership)
 - (F) A Rural Development Project
 - (G) Enhanced economic competition (ex: plant re-tooling)
 - (H) Changes necessitated by Federal Budget cutbacks (ex: military)

- (I) Business is restructuring arising from federally mandated standards or policies (ex: pollution control, OSHA requirements, etc.

STRUCTURE OF THE SBA 504 LOAN:

In most existing business cases, 50% of the project is funded through a local Participating Commercial Lender, 10% of the project comes from the Applicant as equity - can be cash or land/building value, and 40% of the project is funded by the CDC by using the SBA 504 Loan Program. For new businesses, 2 years old or less, 15% equity is required. For special purpose properties, 15% equity is required. For a new business and a special purpose property, 20% equity is required. In all cases, CDC's portion is reduced when equity is increased.

- * On Real Estate Loans - the 504 loan can have a term of 20 years and the rate is FIXED at funding (usually 1 - 2 points below conventional rates in lender's market area).
- * On Machinery and Equipment Loans Only - the 504 loan can have a term of 10 years and the rate is FIXED at funding.

SBA FUNDING LIMITS:

SBA's 40% + the 504 fees can be up to \$1,000,000, unless the applicant meets one of the exceptions listed above as (A) - (I). In this case the 504 loan can be up to \$1,300,000, including 504 fees. *Note: Lenders can meet their CRA requirements when they utilize the 504 loan program.*