



2009 RECOVERY ACT



HELPING SMALL BUSINESS START, GROW AND SUCCEED

Q&A for SBA Participating Lenders

What loans are eligible for the 90% guaranty?

7(a) loans submitted via standard 7(a), CLP, PLP, Small/Rural Lender Advantage, Community Express, Patriot Express, Export Express and Gulf Opportunity loan programs are eligible for up to a 90% guaranty.

Prior to the Recovery Act, the maximum guaranty percentage for most 7(a) loan programs ranged from 85% for loans of \$150,000 and less to 75% for loans greater than \$150,000.

For most purposes, SBA's maximum guaranteed amount remains at \$1,500,000. So, in order for a loan to receive a full 90% guaranty, the loan amount cannot exceed \$1,666,666. For loans greater than \$1,666,666, lenders may request a guaranty up to the maximum possible amount.

*(See **SBA Policy Notice 5000-1098** for additional details on larger loans and multiple loans to the same borrower/affiliates).*

Is the 90% guaranty authority retroactive for loans approved from February 17, 2009, the date the bill was signed?

No, the 90% guaranty is effective as of the date of SBA Policy Notice 5000-1097 through the calendar year or until the funds are exhausted.

Has the guaranty amount on SBA Express Loans changed?

No, the 50% maximum guaranty amount remains the same on SBA Express loans.

What 7(a) fees are affected by the Recovery Act?

For all 7(a) loans approved on or after February 17, 2009, SBA will temporarily eliminate the upfront borrower guaranty fees for all eligible loans.

7(a) loans with maturities of 12 months or less still must pay SBA's ¼ point guaranty fee.

Are lines of credit eligible for the 90% guaranty and fee eliminations?

All loans with a maturity longer than 12 months approved on or after February 17, 2009, are eligible for the fee eliminations while funds remain available. Lines of credit approved on or after March 16, 2009, via Patriot Express or the Caplines program are eligible for up to a 90% guaranty. Lines of credit approved on or after February 17, 2009, via SBA Express are not eligible for more than a 50% guaranty, but qualify for fee eliminations if the maturity is longer than 12 months.

What 504 fees are affected by the Recovery Act?

For all 504 loans approved on or after February 17, 2009, SBA will temporarily eliminate the CDC Processing Fees and the Third-Party Participation Fees. CDC's will no longer be allowed to collect deposits from small business applicants that would have gone towards payment of the CDC Processing Fee upon loan approval. SBA will reimburse CDCs for the waived CDC Processing Fees.

How long are the fee eliminations in place?

The temporary fee eliminations for 7(a) support an overall program level of \$8.7 billion. The temporary fee eliminations for 504 support an overall program level of \$3.6 billion. Depending on loan volume in the 504 program, SBA estimates that it will be able to eliminate these fees on loans approved through approximately December 31, 2009.

What if you already paid fees on loans approved since February 17, 2009?

The Agency will make funds available to refund payments for these fees. SBA is still in the process of developing a refund mechanism, but expects to be able to begin issuing refunds by approximately May 1, 2009.

If borrowers have already paid lenders for the fee on eligible loans, lenders must reimburse the borrowers from the SBA refund.

Why are fees being eliminated for 7(a) borrowers and not lenders?

In the Recovery Act, Congress provided funds for fee reductions and eliminations and directed SBA to first reduce the upfront guaranty fee (the fee typically paid by borrowers) to the maximum extent possible before making any reduction in the ongoing guaranty fee (the fee paid by lenders). When SBA estimated the cost of eliminating borrower fees over the stated life of the Recovery Act, it concluded that the available funds would be fully utilized by the reduction in the borrower fee.

Are there any prohibited uses of funds under the Recovery Act?

The Act states that none of the funds appropriated or otherwise made available in this Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. (Further guidance will be issued on this subject in the near future). This applies to loans submitted both through 7(a) and 504 processes.

For loans involving these Recovery Act prohibited uses, lenders may continue to submit applications in accordance with SOP 50 10 5(A) for the maximum guaranty percentage of 75% or 85%, depending on the loan amount, and pay all applicable fees.

Is there a change in how lenders submit loans?

There will be no change to the submission process. E-tran submission is strongly encouraged for all loans processed under a lender's delegated authority.

What is the new \$35,000 ARC Stabilization Loan and when will it be available?

America's Recovery Capital (ARC) loan program will offer deferred-payment loans backed 100 percent by SBA of up to \$35,000 to viable small businesses that need help making payments on an existing, qualifying loan for up to six months. This new program is intended to give small businesses some temporary financial relief to keep their doors open and get their cash flow back on track so they can maintain existing jobs and ultimately create new jobs. Repayment does not begin until 12 months after the loan is fully disbursed. (ARC loans cannot be made to cover payments on an existing loan that was guaranteed by SBA before February 17, 2009, the day the bill was signed into law).

The SBA understands the urgent need that some small businesses have for this program and we are working quickly to deliver the program effectively. Since this is an entirely new loan program, SBA has to create it from scratch. We are moving quickly on this program, to address the structure of the program, develop policies and regulations, and make the system and processing center changes necessary to implement it. Further guidance will be issued as soon as the details and timing are worked out with this program.

What is the change to the 504 program allowing some debt refinancing?

We are in the process of implementing this provision. Under the Recovery Act, 504 projects may include a limited amount of debt refinancing if the project involves expansion of a small business applicant. Up to 50% of the expansion project financing may be to refinance existing debt that was used to acquire fixed assets eligible for the Section 504 program. Specific guidance to implement this change will be issued as soon as possible.