



# SBA Procedural Notice

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**TO:** All SBA Employees

**CONTROL NO.:** 5000-775

**SUBJECT:** Reduced Fee for New 7(a)  
Loans Made to Businesses  
Adversely Affected by  
September 11<sup>th</sup> Terrorist  
Attacks

**EFFECTIVE:** 1-17-2002

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The Defense Appropriations Act, signed by President Bush on January 10, 2002, reduces the on-going fee charged to the lender on new 7(a) loans made to small businesses that were “adversely affected” by the September 11, 2001, terrorist attacks and their aftermath. The legislation makes no other changes to 7(a) program fees, or to the 504 loan program.

Under the new law, the on-going fee for eligible 7(a) loans is reduced from 0.5 percent (50 basis points) of the outstanding balance of the guaranteed portion of the loan to 0.25 percent (25 basis points). This fee reduction is effective for the full term of eligible loans approved by SBA during the 1 year period beginning January 11, 2002 and ending January 10, 2003, or until the funds available for this purpose are expended, whichever occurs first.

SBA has received an appropriation that will allow the Agency to fund up to approximately \$4.5 billion in eligible loans. Since the fee income received by SBA on loans made under this provision will be different from that received on regular 7(a) loans, these loans will have a different subsidy rate and will be tracked separately for subsidy rate purposes.

## **Eligibility**

For purposes of implementation of this legislative provision, the term “adversely affected small business” means a small business that has suffered economic harm or disruption of its business operations as a direct or indirect result of the terrorist attacks perpetrated against the United States on September 11, 2001. Some examples of economic harm are: difficulty in making loan payments on existing debt; difficulty in paying employees or vendors; difficulty in purchasing materials, supplies, or inventory; difficulty in paying rents, mortgages, or other operating expenses; and, difficulty in securing financing. SBA does not intend that this list be considered all-inclusive. The Agency anticipates that other circumstances can illustrate that a business has suffered economic harm or a disruption of its business operations.

## **Special Requirements**

Each lender making a reduced fee 7(a) loan under the provisions of the new law is responsible for determining that the loan is being made to a small business that was adversely affected by the terrorist attacks of September 11, 2001. For each such loan, the lender must prepare, place, and keep in its loan file, a short written statement documenting the basis for its conclusion that the loan is eligible for inclusion under this provision.

All other existing SBA 7(a) loan requirements, including credit requirements, apply to loans made under the provisions of the new law.

Loans made under this statutory provision must be identified with a special code that will alert SBA and the SBA Fiscal and Transfer Agent (Colson Services Corp.) to calculate the appropriate on-going fee.

A follow-up Procedural Notice will be issued shortly with additional guidance for implementation of these special requirements.

**Additional Information**

Field offices should provide this notice to all participating lenders immediately.

Lenders and other interested parties should contact their local SBA field offices for more information. SBA field staff should contact James Hammersley, Director, Loan Programs Division, at (202) 205-7505.

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Jeanne M. Sclater  
Acting Associate Deputy Administrator  
for Capital Access

Expires: 01-01-2003