

# Bank Notes

A Newsletter for Michigan Lenders

April 27, 2011

Issue 174

## **New Michigan District Director Gerald L. Moore**



SBA is pleased to announce Gerald L. Moore as the new Michigan District Director. As district director, he is responsible for the delivery of all SBA programs and services in the state, including the SBA guaranty loan program, which is delivered through more than 120 lenders. The Michigan District Office, which covers all 83 counties in the state, is located in Detroit (with a Grand Rapids satellite office) and has a staff of 15 employees.

“We are pleased to have Gerald L. Moore managing our operations in the state of Michigan,” said SBA Midwest Regional Administrator Marianne Markowitz. “As an entrepreneur, he knows what it takes to start and grow a business in these tough economic times. He has a strong management background that will be critical in moving our agency forward in the challenging times.”

“It is a privilege and an honor to be appointed the District Director for the state of Michigan,” said Moore. “I see a very strong role for SBA to help nurture new businesses and expand existing ones. I plan on working closely with Michigan’s small business community and SBA’s resource partners to help build Michigan’s economy.”

Prior to his appointment, Mr. Moore served in the United States Air Force where he completed three 24-month tours of duty. He spent the next two years with the U.S. Customs Service serving as an Import Specialist. After leaving the federal government in 1995, Moore began a career in the IT industry where he served as a Senior Program Manager responsible for implementing global programs and projects for Hewlett Packard and EDS.

In 2004, he launched his own company, SportZ AllStarZ, LLC, that provides children with a world-class sporting experience focusing on quality coaching, instruction, and creativity in sports programming. He is a trustee on the Rochester Community Schools Board of Education where he serves as board secretary and, along with the board, is responsible for aligning district contracts, adopting a \$160 million budget, policies, and the overall strategic direction of the district.

Moore has a master’s degree in Business Administration from Wayne State University. Moore is also a certified Lean Six Sigma Black Belt, PMP® (Project Management Professional), and ITIL® Practitioner.

## **May 5th First Thursday ReadyTalk Session**

The next monthly First Thursday ReadyTalk session for lenders is scheduled for May 5 at 10:00 a.m.

The agenda will include a discussion and training on the Advantage loan programs, which include Small/Rural Lender’s Advantage for lenders averaging less than 20 7(a) loans per year; Small Loan Advantage for PLP lenders; and Community Advantage for community-based mission-focused lenders. These are simplified 7(a) loans with all the benefits and features of a standard 7(a) loan in a streamlined application process! We’ll also cover loan activity updates and general questions and answers.

ReadyTalk is a Webinar program using the Internet and a conference call system. To access the system:

From your computer:

1. Logon to [www.readytalk.com](http://www.readytalk.com)
2. Login as a participant using the access code 3051501
3. Enter your name, email address, and company name as requested

From your telephone:

1. Dial 866-740-1260
2. Enter the Access Code 3051501 and press #
3. Say hello!

If this is your first ReadyTalk session, we recommend that you test your browser compatibility and network connection prior to the conference by logging onto the ReadyTalk Web site and click on the “Test your Computer” button under the login.

Please join us on May 5.

### Further Guidance on Refinancing Debt in the 504 Program

There have been several important updates to the 504 refinancing program.

First, as of April 6, 2011, SBA has lifted the date limitation on the 504 refinancing program to allow eligible small businesses with mortgages maturing after December 31, 2012 to participate in the program. The news release can be viewed at [www.sba.gov/sites/default/files/11-22%20SBA%20Expands%20504%20Refinance%20Program.doc](http://www.sba.gov/sites/default/files/11-22%20SBA%20Expands%20504%20Refinance%20Program.doc).

Additionally, SBA issued a policy notice with further guidance on the following issues for the refinancing program:

- **Standby Requirement:** The original policy notice stated that if a deficiency remained on debt to be refinanced, the borrower can execute a new note for the remaining debt, and that this debt must be subordinate to SBA and on standby. This notice clarified the standby requirement. SBA will consider alternative recommendations by the CDC concerning the subordinate debt, and will consider, on a case-by-case basis, based on the Borrower's cash flow and credit risk: whether the note covering the deficiency should be placed on standby; whether the standby should be full or partial; and the duration of the standby.
- **Modification or Assignment of Existing Loan Documents:** When refinancing same institution debt, the lender is permitted to modify existing loan documents rather than executing and recording new documents for the third party loan. When refinancing another institution's debt, the original documents may be assigned to a new lender who may then modify the documents as appropriate. Allowing for modifications and assignments will avoid costs for title insurance, filing fees, etc., which can represent a significant savings for the borrower.
- **Use of Interim Lender or Escrow Account:** To clarify previous language, if refinancing same institution debt, no interim lender may be used but an escrow account is required. If another institutions debt is being refinanced, then an interim lender is required and no escrow account may be used.
- **Requirements Regarding No Shift of Loss Certification:** This notice modified the previous notice, requiring that the third party lender's certification to the CDC and SBA must state that the Third Party Lender is not in a position to sustain a loss on the refinancing project amount causing a shift to SBA of all or part of a potential loss from the existing debt. This certification will be made on SBA Form 1244D and included in the Third Party Lender's commitment letter.

To read the full policy notice, visit [www.sba.gov/sites/default/files/5000-1204.docx](http://www.sba.gov/sites/default/files/5000-1204.docx).

#### SBA's Lender Relations Staff

Detroit: P 313-226-6075; F 313-226-4769

- Romy Ancog, ext. 259, [romualdo.ancog@sba.gov](mailto:romualdo.ancog@sba.gov)
- Ken Kolasa, ext. 228, [kenneth.kolasa@sba.gov](mailto:kenneth.kolasa@sba.gov)
- Rachel St. James, ext. 278, [rachel.stjames@sba.gov](mailto:rachel.stjames@sba.gov)

Grand Rapids: P 616-456-5512; F 616-456-5514

- Brian Picarazzi, [brian.picarazzi@sba.gov](mailto:brian.picarazzi@sba.gov)

### Secondary Market Sales by SBA Lenders Reserve Agreement

SBA has issued additional guidance and increasing supervision on secondary market sales by certain higher risk SBA lenders. These guidelines apply to lenders subject to one or more of the following actions: 1) Cease & Desist order; 2) Consent Agreement affecting capital or commercial lending issues; 3) other supervisory action that cites unsafe and unsound banking practices; or 4) where the SBA lender's auditor issued a Going Concern opinion in the audited financial statements.

Effective June 30, 2011, SBA lenders subject to any of the above defined actions will be required to enter into a Reserve Account Agreement with SBA prior to requesting SBA approval to sell loans into the secondary market. The lender will be required to establish a reserve account at a well-capitalized FDIC insured depository financial institution and fund the account as follows:

1. Make an initial deposit in the amount of either:
  - a. Two times the lender's average 7(a) loan size, if the lender's gross dollars outstanding for its active loans is \$10 million or greater, OR
  - b. One times the lender's average 7(a) loan size, if the lender's gross dollars outstanding for its active loans is less than \$10 million.
2. An additional deposit for each sale on the secondary market.

This change is being made to protect SBA and the taxpayer from unnecessary losses. SBA is responsible for ensuring the integrity of the 7(a) loan and secondary market programs under its supervision, and for managing SBA guarantee exposure. When the guaranteed portion is sold on the secondary market, effectively, the guarantee is changed from a conditional guarantee to the lender to an unconditional guarantee to the registered holder. Should a borrower default, the SBA generally purchases the guarantee from the registered holder and pursues the lender for any repairs. However, if the lender is placed in receivership by the FDIC, SBA may be limited in its ability to receive its entitled reimbursement.

Please read SBA Notice 5000-1205 for the full details on the reserve account requirements at [www.sba.gov/content/secondary-market-sales-sba-lenders-reserve-agreement](http://www.sba.gov/content/secondary-market-sales-sba-lenders-reserve-agreement).

---

### **Community Express Pilot Program ends April 30, 2011**

---

Reminder: the Community Express Pilot Program ends on April 30, 2011. As of May 1, 2011, no new Community Express loan applications will be approved.

To replace Community Express, SBA recently rolled out two new loan programs to the Advantage platform, Community Advantage and Small Loan Advantage.

Our First Thursday training session will be on these programs, as well as Small/Rural Lender's Advantage.

---

### **Bank Notes Distribution**

---

To receive future issues of Bank Notes the process is easy. Simply go to Web page <http://web.sba.gov/list/>; scroll down and check the box entitled "Michigan Bank Notes Newsletter." Then scroll down and enter your name and email address at the bottom of the page and hit the "Subscribe" button.

---

### **Help us Demonstrate Your Success!**

---

The Michigan District Office uses success stories to publicize SBA loans by highlighting small businesses to tell the story. Currently, we are seeking businesses that have received loans under the provisions of the American Recovery and Reinvestment Act. We are also looking for long term success stories that involve firms that have been in business for three or more years and have grown with the help of an SBA guaranteed loan.

Success stories are an excellent way to promote the small business that is profiled and to show how the lender was able to respond to their customer's needs and help it succeed. For more information, please contact Annette Hall at [Annette.hall@sba.gov](mailto:Annette.hall@sba.gov).