



Bank Notes

A Newsletter for Michigan Lenders

June 22, 2011

Issue 176

Secondary Market Sales by SBA Lenders - Reserve Account Agreement Update

SBA has issued additional guidelines on the reserve agreement requirements for certain lenders engaged in secondary market sales. As reported in the April 27, 2011 edition of Bank Notes, lenders subject to certain regulatory 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) were required to make a deposit into a Reserve Account prior to offering their guarantees for sale. Notice 5000-1211 will now allow affected SBA lenders to request a loan-by-loan review as an alternative to entering a Reserve Agreement and establishing a Reserve Account. This change was in response to the comments we received from SBA lenders, particularly those that are small or that sell only a small number of loans.

To request a loan-by-loan review, a lender must notify the Office of Credit Risk Management. After receiving acknowledgment from OCRM, lenders should submit their loan(s) for file review to the Standard 7(a) Loan Processing Center in Citrus Heights, CA. We recommend sending files electronically using "Send This File" - www.sba.gov/content/send-file - to Kim Bozzuto's attention. Hard copies can be sent to:

Standard 7(a) Loan Processing Center
Attn: Kim Bozzuto
6501 Sylvan Road
Citrus Heights, CA 95610

For further guidance, please see full procedural notice 5000-1211 at www.sba.gov/content/secondary-market-sales-sba-lenders-reserve-account-agreement-update-0.

SBAExpress Loan Limits

The Small Business Jobs Act allowed for a temporary increase for SBAExpress loans, increasing the maximum loan amount from \$350,000 to \$1 million until September 27, 2011. We have no indication that this increase will be renewed, thus returning the maximum loan amount to \$350,000. Please be aware of this change and manage your pipeline accordingly!

July 7th First Thursday ReadyTalk Session

The next monthly First Thursday ReadyTalk session for lenders is scheduled for July 7 at 10:00 a.m.

This month, we'll be providing training on the 10 Tabs. In the event that a lender must request that the SBA honor its guaranty on a loan, the lender is required to submit the Guaranty Purchase Package Tabs. We'll discuss the process, required forms, and best practices for submitting your 7(a) loans for purchase. We'll also cover changes to the Franchise Registry, loan activity updates, 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
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 July 7.

Further Guidance on Refinancing Debt in the 504 Program

SBA has issued the following further guidance on refinancing debt using the 504 Program:

1. Appraisals are no longer required at the time of application. Appraisals are now required prior to closing, allowing lenders to use an estimate at the time of application. However, the CDC must submit a copy of the appraisal of the fixed assets to the Sacramento Loan Processing Center prior to closing, and the SLPC will determine whether the loan needs to be revised or restructured prior to disbursement.
2. More than one loan may be combined and refinanced.
3. By regulation, 504 loans must be disbursed within 6 months after loan approval. However, the Director of the Office of Financial Assistance or his designee may approve an extension of up to an additional 3 months for a good cause.

To read the full Notice 5000-1212, please see www.sba.gov/content/further-guidance-appraisals-multiple-loans-and-approving-extensions-disbursement-period-504-temporary-debt-refinancing-p.

SBA's Lender Relations Staff

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

- Romy Ancog, ext. 259, romualdo.ancog@sba.gov
- Ken Kolasa, ext. 228, kenneth.kolasa@sba.gov
- Rachel St. James, ext. 278, rachel.stjames@sba.gov

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

- Brian Picarazzi, brian.picarazzi@sba.gov

Reminder - Please Cancel Unused Loan Approvals

Please remember to cancel any unused loan approvals. Immediately upon approval, the SBA allocates capital for that loan. If the loan will not be funded, it is the lender's responsibility to cancel the loan. This will free up the allocated capital, and ensure that we can assist as many small businesses as possible.

We recommend that lender's cancel loans using SBA's ETRAN system for the fastest turnaround time. If your institution is not signed up to use ETRAN, please contact the District Office to get set up. Lenders may also use SBA Form 2237 to cancel loans.

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.