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All SBA programs and services are provided on a nondiscriminatory basis.

Comments regarding the newsletter are welcome.

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Updates to SBA's Temporary 504 Debt Refinancing Program

On February 17, 2011, SBA issued Policy Notice 5000-1197 to provide guidance on the 504 Certified Development Company Loan Program Regarding Debt Refinancing Authorized by the Small Business Jobs Act (Temporary 504 Debt Refinancing Program). Policy Notice 5000-1204 issued April 8, 2011 provides further guidance with respect to certain standby requirements, modification or assignments of existing loan documents, the use of an Interim Lender or escrow account, and the refinancing of same institution debt.

Standby Requirement: SBA provided in Policy Notice 5000-1197 that in cases in which there was a deficiency remaining on the debt to be refinanced, the Agency would determine what effect, if any, the disposition of the deficiency had on the Borrower's creditworthiness and that SBA may place additional restrictions on the remaining debt, such as requiring that the debt be placed on standby during the term of the 504 loan. Policy Notice 5000-1204 clarifies that 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 (e.g., only payments of interest permitted); and if the Note is placed on standby, the duration of the standby.

Modification or Assignment of Existing Loan Documents:

When the loan being refinanced is Same Institution Debt, as defined in 13 CFR §120.882(g)(15), the Third Party Lender may modify its existing loan documents (Note, Deed of Trust/ Mortgage, etc.) instead of requiring the Borrower to execute and record new loan documents for the Third Party Loan. With respect to other institution debt (i.e., debt that is not Same Institution Debt), SBA may permit the Lender of the debt to be refinanced to assign its existing loan documents to the Interim Lender if an Interim Lender is used, or to the Third Party Lender if no Interim Lender is used. The existing loan documents may be modified, as appropriate rather than requiring that new documents be

executed for the Refinancing Project. The Interim Lender, if any, may then assign the documents to the Third Party Lender. All modified loan documents must meet SBA's regulatory requirements for a Third Party Loan (see 13 CFR §120.920 and 120.921). These loan modifications or assignments will avoid the costs for title insurance and filing fees for the Interim or Third Party Loan, which are significant in some jurisdictions. Thus, this clarification may represent a significant costs savings to the Borrower.

Use of Interim Lender/Escrow Account:

Policy Notice 5000-1204 also clarifies under what circumstances SBA requires that an Interim Lender be used for the Temporary Debt Refinancing Program and when an escrow account is permitted instead. In summary, if the debt being refinanced is Same Institution Debt [as defined in 13 CFR 120.882(g) (15)], no Interim Lender may be used but an escrow account is required. If the debt being refinanced is other institution debt, then an Interim Lender is required and no escrow account may be used. The policy notice provides further requirements on this topic.

Requirements Regarding No Shift of Loss Certification:

Policy Notice 5000-1204 modifies the certification requirements for the Third Party Lender to make for refinancing involving Same Institution Debt. As a result of this modification, 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 must be made as instructed in SBA Form 1244D and included in the Third Party Lender's commitment letter (Exhibit 19 of SBA Form 1244). This change in the certification makes this certification similar to the certification that is made for refinancing in the 7(a) loan program.

SBA Policy Notices are located at the "For-Lenders" website www.sba.gov/for-lenders at page bottom in "Forms, Notices, and SOPs".

SBA Environmental Policy and Definitions

SBA's Environmental Policies and Procedures are outlined within SOP 50 10 5(C), located at SBA's "For-Lenders" website www.sba.gov/for-lenders.

Lenders are reminded that, except for Environmental Questionnaires, all Environmental Investigations (including Transaction Screens) must be conducted by a qualified "Environmental Professional". Excerpts of the definitions for SBA's Environmental Policy, which are set forth in Appendix 2, are outlined below.

"Environmental Investigation" refers to the process of assessing the environmental conditions at a Property. For example, an Environmental Investigation may include one or more of the following: an Environmental Questionnaire, Records Search with Risk Assessment, Transaction Screen Analysis, Phase I Environmental Site Assessment (Phase I ESA) or Phase II Environmental Site Assessment (Phase II ESA).

"Environmental Professional" means a person who meets the requirements set forth in 40 CFR §312.10(b). The All Appropriate Inquiries standards defines an Environmental Professional as a person who possesses sufficient specific education, training, and experience necessary to exercise professional judgment to develop opinions and conclusions regarding conditions indicative of releases or threatened releases...on, at, in, or to a property, sufficient to meet the objectives and performance factors [of the rule]. §40 CFR 312.10(b). An Environmental Professional must: Hold a current Professional Engineer's or Professional Geologist's license or registration from a state, tribe, or U.S. territory (or the Commonwealth of Puerto Rico) and have the equivalent of three years of full-time relevant experience; or, Be licensed or certified by the federal government, a state, tribe, or U.S. territory (or the Commonwealth of Puerto Rico) to perform environmental inquiries as defined in §312.21 and have the equivalent of three years of full-time relevant experience; or, Have a Baccalaureate or higher degree from an accredited institution of higher education in a discipline of engineering or science and the equivalent of five years of full-time relevant experience; or, Have the equivalent of ten years of full-time relevant experience.

Further, SBA requires that an Environmental Professional be impartial and maintain a minimum coverage of one million dollars per claim (or occurrence) in errors and omissions insurance.

"Environmental Questionnaire" means the questionnaire used by a Lender to determine the likelihood that Contamination may be present at Property offered to secure an SBA guaranteed loan. Environmental Questionnaires must be completed or reviewed by a Lender that has made at least one site visit to the Property and a good faith effort to conduct an interview with the current owner or operator of the Property. An Environmental Questionnaire may be considered if it was completed up to one year prior to submission. The current owner or operator of the Property must sign the Environmental Questionnaire. If the current owner or operator of the Property will not sign the Environmental Questionnaire it cannot be used and lender must then, at a minimum, obtain a Transaction Screen. Prudent lending practices dictate that an Environmental Questionnaire must, at a minimum, inquire into specific areas which are specifically outlined in Appendix 2 of SOP 50 10 5(C).

"Records Search with Risk Assessment" means and includes (1) a search of the government databases identified in 40 CFR § 312.265 for an AAI compliant Phase I as well as a search of historical use records pertaining to the Property and Adjoining Properties; and (2) a risk assessment by an Environmental Professional based on the results of the records search as to whether the Property is either low risk, or elevated risk, or high risk for Contamination. The choice of historical records to be reviewed on any particular site is at the discretion of the Environmental Professional. The report must identify by name the Environmental Professional that performed the risk assessment. (Note that this report need not be addressed to the SBA and need not be accompanied by a Reliance Letter.) A Records Search with Risk Assessment may be considered if it was completed up to one year prior to submission.

"Transaction Screen" means an Environmental Investigation pursuant to the most recently adopted standard practice for limited environmental due diligence established by ASTM International, currently ASTM E1528-06. The basic elements of a Transaction Screen include: (1) an interview with the owner or operator of the Property; (2) a visit to the Property; (3) completion of an environmental questionnaire, and (4) a review of government records and historical sources. Additionally, SBA requires that an Environmental Professional supervise the site reconnaissance and conclude either (a) the risk of contamination at the site is so minimal that no further investigation is warranted; or (b) there is risk sufficient to warrant additional investigation. If further investigation is warranted, the Environmental Professional should provide a detailed description of the recommendation.

Syracuse SBA District - YTD FY 11 by County

10/1/10 - 4/30/11

	504 Approvals		7A Approvals		Total 504 & 7A Approvals	
ALBANY	4	\$2,219,000	36	\$7,808,500	40	\$10,027,500
BROOME	3	\$1,182,000	45	\$7,365,900	48	\$8,547,900
CAYUGA	1	\$885,000	12	\$1,693,500	13	\$2,578,500
CHEMUNG			16	\$3,715,700	16	\$3,715,700
CHENANGO			10	\$1,129,300	10	\$1,129,300
CLINTON	1	\$1,167,000	10	\$2,730,000	11	\$3,897,000
COLUMBIA	2	\$429,000	1	\$180,000	3	\$609,000
CORTLAND	1	\$275,000	4	\$497,000	5	\$772,000
DELAWARE			1	\$50,000	1	\$50,000
ESSEX	1	\$214,000	5	\$2,355,700	6	\$2,569,700
FRANKLIN			5	\$649,000	5	\$649,000
FULTON	1	\$190,000	1	\$50,000	2	\$240,000
GREENE	1	\$219,000	1	\$12,500	2	\$231,500
HAMILTON			1	\$150,000	1	\$150,000
HERKIMER			9	\$730,000	9	\$730,000
JEFFERSON			8	\$3,580,600	8	\$3,580,600
LEWIS	1	\$273,000	6	\$966,000	7	\$1,239,000
MADISON			7	\$1,546,700	7	\$1,546,700
MONTGOMERY			1	\$39,000	1	\$39,000
ONEIDA	2	\$2,446,000	30	\$4,250,000	32	\$6,696,000
ONONDAGA	5	\$2,890,000	80	\$13,135,000	85	\$16,025,000
OSWEGO	1	\$264,000	15	\$4,226,100	16	\$4,490,100
OTSEGO			8	\$1,830,100	8	\$1,830,100
RENSSELAER	1	\$170,000	16	\$1,472,500	17	\$1,642,500
SAINT LAWRENCE	1	\$657,000	4	\$435,400	5	\$1,092,400
SARATOGA	7	\$1,533,000	41	\$7,931,400	48	\$9,464,400
SCHENECTADY	1	\$451,000	7	\$1,296,800	8	\$1,747,800
SCHOHARIE	1	\$642,000	2	\$304,000	3	\$946,000
SCHUYLER			7	\$1,420,600	7	\$1,420,600
STEUBEN			28	\$6,230,500	28	\$6,230,500
TIOGA			4	\$225,000	4	\$225,000
TOMPKINS	1	\$371,000	11	\$1,314,000	12	\$1,685,000
WARREN	3	\$2,068,000	16	\$2,104,600	19	\$4,172,600
WASHINGTON	1	\$340,000			1	\$340,000
Grand Total	40	\$18,885,000	448	\$81,425,400	488	\$100,310,400

Syracuse SBA District Loan Approvals - YTD FY 11 (10/1/10 - 4/30/11)
by number of loans

SBA 7(a) Loan Approvals

M&T Bank	123	\$21,443,000
NBT Bank	47	\$6,222,100
KeyBank	31	\$1,739,500
New York Business Dev. Corp.	25	\$8,108,000
Five Star Bank	24	\$6,701,300
Adirondack Bank	21	\$2,040,700
The Adirondack Trust Company	21	\$1,937,300
Corning Federal Credit Union	13	\$1,288,500
Citizens Bank	10	\$774,000
Alliance Bank, N.A.	9	\$1,124,300
First Niagara Bank	9	\$958,000
Solvay Bank	8	\$1,355,000
HSBC Bank USA	8	\$948,500
USNY Bank	7	\$2,126,000
Community Bank	7	\$1,214,500
The Oneida Savings Bank	7	\$1,170,000
Chemung Canal Trust Company	7	\$395,000
Superior Financial Group	7	\$60,000
National Union Bank, Kinderhook	6	\$2,960,000
Tioga State Bank	6	\$2,543,000
Pathfinder Bank	5	\$740,000
JPMorgan Chase Bank	5	\$499,800
Saratoga National Bank	5	\$480,000
Glens Falls National Bank	5	\$450,600
Live Oak Banking Company	3	\$950,000
Berkshire Bank	3	\$311,500
Ballston Spa National Bank	3	\$253,200
TD Bank	2	\$1,232,500
Legacy Banks	2	\$632,000
Tompkins Trust Company	2	\$400,000
The Elmira Savings Bank	2	\$272,500
Citco Community Bancshares, Inc.	1	\$2,640,600
Evolve Bank & Trust	1	\$2,285,000
Small Business Capital	1	\$2,152,000
United Midwest Savings Bank	1	\$670,000
Loan Source Incorporated	1	\$450,000
City National Bank	1	\$320,000
CapitalSource Bank	1	\$317,000
Newtek Small Bus. Finance Inc.	1	\$211,000
The Bank of Bennington	1	\$204,000
Waukegan Savings Bank	1	\$200,000
The Lyons National Bank	1	\$160,000
Unity Bank	1	\$160,000

SBA 7(a) Loan Approvals

Citizens & Northern Bank	1	\$155,000
Watertown Savings Bank	1	\$120,000
Steuben Trust Company	<u>1</u>	<u>\$50,000</u>
Total 7(a) Loan Approvals	448	\$81,425,400

504 Loan Approvals

Empire State Cert. Dev. Corp.	34	\$15,413,000
Greater Syracuse Bus. Dev. Corp.	5	\$3,208,000
Operation Oswego County	<u>1</u>	<u>\$264,000</u>
Total 504 Loan Approvals	40	\$18,885,000

Total 7(a)& 504 Loan Approvals 488 \$100,310,400

504 Third Party Lenders

NBT Bank	6	\$6,649,962
Community Bank	5	\$3,390,094
M&T Bank	4	\$2,896,500
Pioneer Savings Bank	3	\$1,059,000
First Niagara Bank	2	\$1,325,000
JPMorgan Chase Bank	2	\$1,192,400
National Union Bank, Kinderhook	2	\$1,140,000
Solvay Bank	2	\$1,028,500
New York Business Dev. Corp.	2	\$883,394
Alliance Bank, N.A.	2	\$593,200
Champlain National Bank	1	\$1,825,000
KeyBank	1	\$1,450,000
Tompkins Trust Company	1	\$600,000
First Niagara Bank	1	\$400,000
Ballston Spa National Bank	1	\$297,000
Ulster Savings Bank	1	\$290,000
City National Bank	1	\$260,000
SEFCU	1	\$227,500
The Bank of Greene County	1	\$124,950
First National Bank of Scotia	<u>1</u>	<u>\$120,000</u>
Total Third Party Loan Approvals	40	\$25,752,500

Microloans

Alternatives Federal Credit Union	20	\$340,100
Adirondack Economic Dev. Corp.	9	\$157,926
REDEC	4	\$58,500
Columbia Hudson Partnership	<u>3</u>	<u>\$40,200</u>
Total Microloan Approvals	36	\$596,726

Syracuse SBA District Loan Approvals - YTD FY 11 (10/1/10 - 4/30/11)
by dollar amount

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The Lyons National Bank	1	\$160,000
Unity Bank	1	\$160,000
Citizens & Northern Bank	1	\$155,000

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