



THE LENDER'S ADVANTAGE

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Reminder: SBA Lending Program Changes

There's no better time to consider some of the resources available to help small businesses continue to drive economic recovery and create jobs. An important element of the Small Business Jobs Act of 2010 includes provisions for loans backed by the SBA. These new provisions are the latest in a string of adjustments made by the SBA to help create jobs and provide much needed financing for small businesses during this time of recovery.

- Increased loan amounts: The new maximum SBA 7(a) and 504 limits have increased from \$2 million to \$5 million. For manufacturers and specific energy-related projects seeking 504 loans, the new maximum is up to \$5.5 million. That means more opportunities for larger projects
- Expanded eligibility standards: The Act establishes adjusted eligibility standards for both 7(a) and 504 SBA-backed loans. Businesses that have a tangible net worth of no more than \$15 million and a two-year average net income of \$5 million after federal income tax are eligible to participate. That means more businesses can take advantage of support from the federal government for their credit needs
- 504 debt refinance provisions: Existing commercial loans used for 504 eligible purposes (acquire, construct or improve long-term fixed assets) can now be refinanced under the 504 program.

As our economy begins to recover, we know that the strength of our country is linked to the vitality of small businesses. Small businesses have created 64 percent of private-sector jobs over the past 15 years. And more than half of Americans either work for or own a small business. West Virginia is a small business state whose success and on-going support is vital to the health of our economy and communities.

Change of Location for ARC 1502 Interest Billing Reconciliation and Int. Payments

Effective August 1, 2011, lenders participating in the SBA's America's Recovery Capital (ARC) Loan Program with outstanding SBA ARC loan interest payments should contact the Standard 7(a) Loan Guaranty Processing Center (LGPC), located in Citrus Heights, CA, for billing reconciliation.

Despite the process transfer from the Buffalo Customer Service Center to the LGPC, the SBA's ARC contact information will remain the same. Lenders should continue to use the same toll-free number of (877) 564-0256 and email address of ARC1502Inquiries@sba.gov regarding inquiries relating to the accurate completion of the SBA's ARC 1502 Reports and/or questions pertaining to any outstanding interest payments associated with their SBA ARC loans.

E-TRAN Requirement – PLP & EXPRESS LENDERS TAKE NOTE:

Effective October 1, all PLP and SBAExpress loans **MUST** be submitted through **E-Tran**. Faxed loan documents will no longer be accepted. Please let us know if E-Tran training is needed for your institution.

NOTE: SBAExpress \$1 Million Loan Program Expiring

September 27, 2011 is the end of the temporary increase (\$1 million) in the SBAExpress loan ceiling. This means you have less than a month to decide if you want to lock in loan approvals in order to take advantage of this temporary benefit.

You may also want to look at your existing, non-guaranteed portfolio for opportunities to refinance non-SBA lines of credit into larger SBA-guaranteed lines of credit. While a SBAExpress loan cannot be used to reduce a participant's exposure, a participant could refinance their own debt as long as there is no reduction in the dollar amount of the lender's exposure.

An example would be a client with a growing company and an unguaranteed \$250,000 balance on an existing line of credit. Should this customer need a larger credit line to support growth, you could process a \$500,000 line of credit under SBAExpress which would carry a 50% guarantee. As a result, all new funds would be guaranteed, and there would be no reduction in the lender's exposure.

For information on becoming a SBAExpress lender, contact [Emma](mailto:emma.wilson@sba.gov) at (304) 347-5220 or emma.wilson@sba.gov.

504 Program: A Tool for Economic Development

The 504 Loan Program is an economic development program that supports American small business growth and helps communities through business expansion and job creation. Most for-profit small businesses are eligible for this program. Loans are provided through Certified Development Companies.

The SBA 504 loan is distinguished from the SBA 7(a) loan program in these ways:

- Eligible project costs are limited to long term, fixed assets such as land and building and substantial machinery and equipment. Working capital is not an eligible use of proceeds
- Most borrowers are required to make an injection of 10 percent. A further injection of 5 percent is needed if the business is a start-up or new (less than 2 years old) and further 5 percent injection is also required if the primary collateral will be a single purpose building.
- \$1.5 million for businesses that create a certain number of jobs or improve the local economy
- \$2 million for businesses that meet a specific public policy goal, including veterans.
- \$4 million for manufacturers
- All project-related costs can be financed, including acquisition and soft costs, such as title insurance and appraisals
- Collateral is typically a subordinate lien on the assets financed; allows other assets to be free of liens and available to secure other needed financing
- Long-term real estate loans are up to 20-year term, heavy equipment 10 or 20-year term and are self-amortizing

For details on SBA 504 Loans, visit www.sba.gov/content/cdc504-loan-program.

The Base Rates as of August 2011 are:

Wall Street Journal Prime Rate: 3.25%

SBA Peg Rate: 3.625%

LIBOR 91 (month) + 3% 3.19%

Maximum Fixed Interest Rate:

Go to <http://www.colsonservices.com/main/news.shtml> and select SBA Base Rates for more info.

SBA 7(a) Lending On Record Pace

Due to the success of provisions in the Small Business Jobs Act that made SBA-backed loans more available to small businesses, SBA is on track to approve a higher dollar-amount of 7(a) loans than in any other year on record.

With a statutory limit of \$17.5 billion on the amount of loan guarantees it can approve this year under the 7(a) loan program, SBA is on track to approve around that amount by September 30th based on current projections.

SBA is closely monitoring this situation and if needed, will put in place appropriate measures to ensure the 7(a) program provides the maximum number of small businesses access to capital.

Lenders are encouraged to cancel any 7(a) loan funds that will not be used so those funds may be available for new loan approvals. Lenders not enrolled in E-Tran should use the Servicing Checklist, SBA Form 2237, and submit the request to the Little Rock Servicing Center.

If necessary, SBA has a contingency plan to create a queue for 7(a) loans that are to be used for refinancing existing debt. The "refi-only" queue will be activated when the total volume of guarantee approvals reaches \$16.5 billion. Based on current loan volume, it is estimated that this may occur in early September.

When the guarantee approvals reach \$17 billion (estimated to be in mid-September) the queue would change from "refi-only" to all-encompassing.

We will keep you informed as we move through the last weeks of the fiscal year. Please contact us should you have any questions or need assistance.

504 Program: Commercial R.E. Refi Until Sept. 2012

Small businesses facing maturity of commercial mortgages or balloon payments before Dec. 31, 2012, may be able to refinance their mortgage debt with a 504 loan under a temporary program structured like SBA's traditional 504. Borrowers commit at least 10 percent equity and work with third-party lending institutions and SBA-approved CDC's in the standard 50 percent/40 percent split. **A key feature of the new program is that it does not require an expansion of the business in order to qualify.**

The program, authorized under the Small Business Jobs Act, will be in effect through Sept. 27, 2012.

Borrowers will be able to refinance up to 90 percent of the current appraised property value or 100 percent of the outstanding mortgage, whichever is lower, plus eligible refinancing costs. Loan proceeds may not be used for other business expenses. Existing 504 projects and government-guaranteed loans are not eligible to be refinanced.

Congress authorized SBA to approve up to \$15 billion in loans under this program (\$7.5 billion in both fiscal 2011 and 2012). Together with the first mortgage, this temporary program will provide up to \$33.8 billion of total project financing. Additional fees charged to the borrower will cover the cost of this refinancing program and as a result no subsidy will be needed. The program is expected to benefit as many as 20,000 businesses.

Key Risk Mitigating Factors

- Applicants must demonstrate that their loans are current and that they have successfully made all required payments in the last year
- A new, independent appraisal will be required for all projects
- SBA will perform full and thorough underwriting on all refinancing applications
- Initially, the first mortgage loans on existing 504 projects are not eligible, and "cash out" refinancing is not permitted. SBA may later revisit these restrictions.

Lenders on the Move

Congratulations to **First National Bank** for renewing their SBAExpress and Patriot Express status.

Advantages for becoming a SBAExpress lender: 1) Low documentation/streamlined processing; 2) 1 to 3 day guaranteed processing time; 3) 50% Guarantee; 4) Maximum Loan Guarantee - \$1M through 9/26/11 then \$350,000 beginning 9/27/11.

Contact [Emma](#) for information on becoming a SBAExpress lender.

FY 2011 Lender Ranking As of Aug. 31, 2011

	Lender Name	\$ Amount	Loans
1	Huntington Bank	\$8,671,400	66
2	BB&T	\$4,195,300	32
3	Main Street Bank	\$1,235,000	9
4	JP Morgan Chase.	\$1,116,000	8
5	Citizens Bank of WV	\$1,324,000	7
6	Community Trust Bank, Inc.	\$4,299,000	6
7	United Bank	\$1,670,000	6
8	MVB Bank	\$2,345,500	4
9	West Union Bank	\$691,700	4
10	Superior Financial Group, LLC	\$42,500	4
11	First Chatham Bank	\$5,692,000	3
12	WVCDC	\$1,736,000	2
13	Mountain Valley Bank	\$900,000	2
14	First State Bank	\$803,000	2
15	OVIDBC CDC, Inc.	\$650,000	2
16	Manufacturers and Traders Trust	\$70,000	2
17	ACNB	\$3,537,000	1
18	Premier Bank	\$800,000	1
19	Union Bank, Inc.	\$400,000	1
20	Live Oak Banking Company	\$400,000	1
21	Georgia Commerce Bank	\$350,000	1
22	Fidelity Bank	\$328,000	1
23	Business Carolina, Inc.	\$275,000	1
24	Community South Bank	\$248,000	1
25	First Sentry Bank	\$162,000	1
26	RBS Citizens, NA	\$150,000	1
27	Pendleton Community Bank, Inc.	\$60,000	1
28	The Citizens Savings Bank	\$31,000	1
	Totals	\$42,182,400	171