



Delegated Authority and 50 10 5(J) Reminders

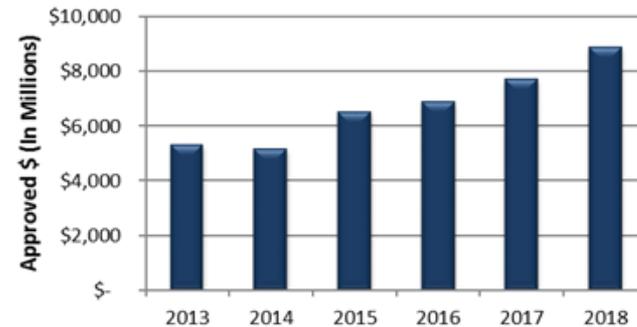
*Wednesday, March 7, 2018
10:00am*

Total Lending Activity

(Time Period Comparison activity through 01/31 of each FY)

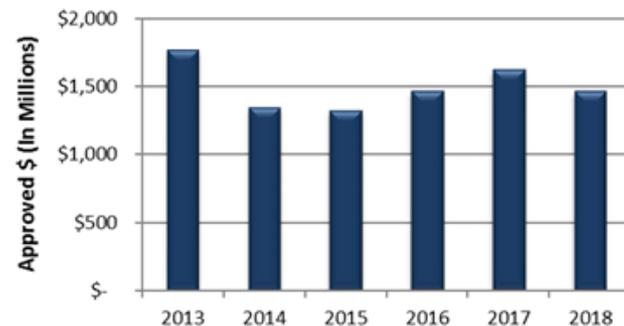
7(a) Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2018	20,243	\$ 8,929,490,600
2017	18,194	\$ 7,741,800,600
2016	19,017	\$ 6,900,894,800
2015	18,110	\$ 6,557,638,200
2014	14,113	\$ 5,182,541,000
2013	14,218	\$ 5,345,217,600



504 Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2018	1,805	\$ 1,465,116,000
2017	1,987	\$ 1,616,337,000
2016	1,793	\$ 1,463,108,000
2015	1,839	\$ 1,320,701,000
2014	1,876	\$ 1,343,822,000
2013	2,627	\$ 1,762,003,000



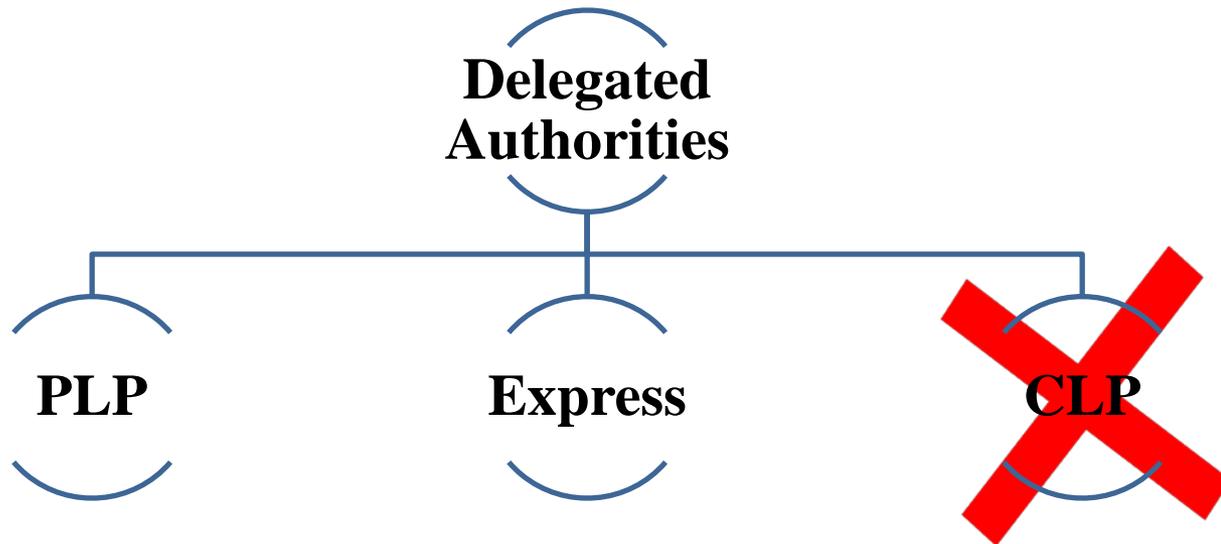
MN Lending Activity

- FY 2018
as of
1/31/2018

Loan Program	Number	Dollar
504		
Sec. 504 - Loan Guarantees - Private Sector Financed	97	\$53,322,000
Loan Guarantees - Private Sector Financed - Refinance	5	\$3,612,000
504 Total	102	\$56,934,000
7A		
Community Advantage Initiative	5	\$872,700
FA\$TRK (Small Loan Express)	224	\$14,674,900
Guaranty	287	\$122,989,200
Revolving Line of Credit Exports - Sec. 7(a) (14)	4	\$9,350,000
Standard Asset Based	3	\$3,150,000
7A Total	523	\$151,036,800
Grand Total	625	\$207,970,800

Delegated Authority

- Authority granted to a lender to process, close, service, and liquidate most SBA guaranteed loans without prior SBA review.



PLP

Loans < \$5 million

75% - 85% Guaranty

Revolving LOCs under
CAPLines Program

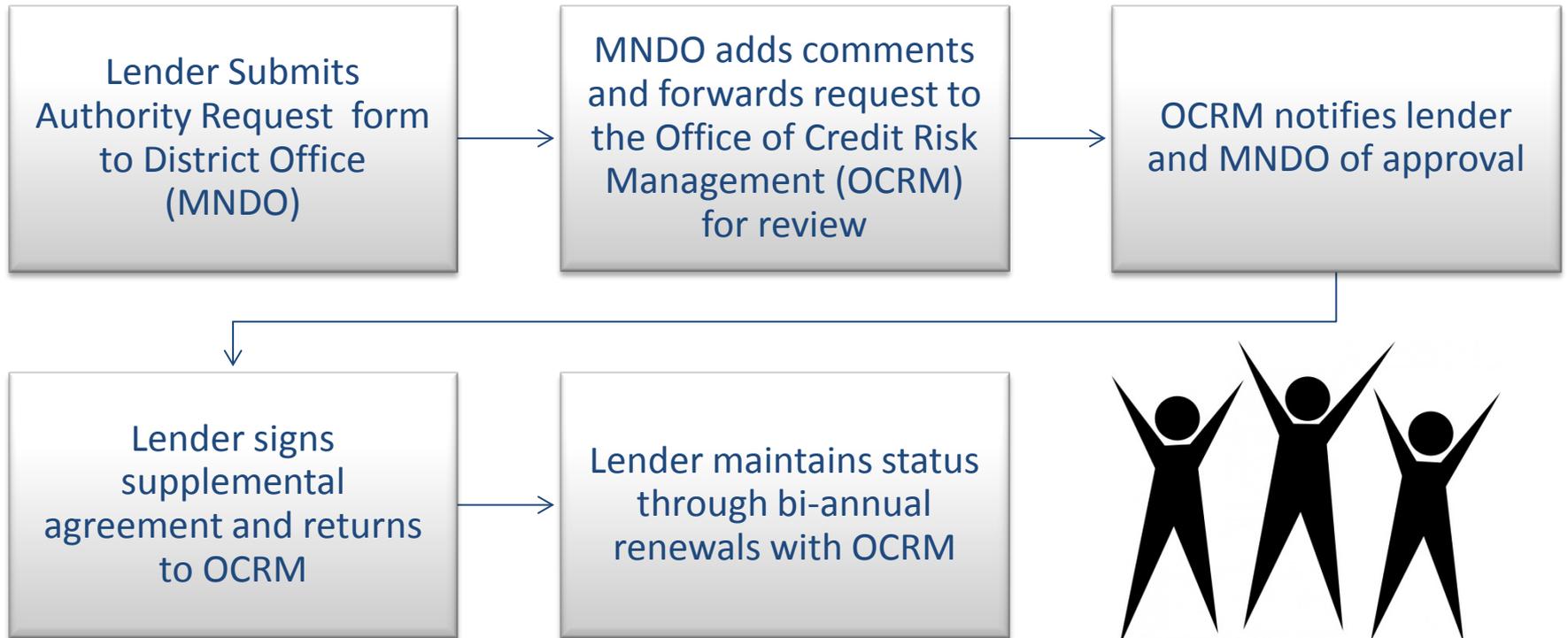
Express

Loans < \$350,000

50% Guaranty

Revolving LOCs (max 5yr
revolving + 5yr term out)

Delegated Authority Application Process



Delegated Authority Criteria (Both PLP & Express)

- ✓ Lender has the continuing ability to evaluate, process, close, disburse, service, liquidate and litigate SBA loans. This includes the ability to develop and analyze complete loan packages.
- ✓ Lender has satisfactory SBA performance including
 - Risk Rating
 - Review/exam assessments
 - Performance measures (default, purchase, and loss rates)
- ✓ Lender is in compliance with SBA Loan Program Requirements
 - 1502 Reporting
 - Timely fee payments
- ✓ Lender is in good standing with SBA (defined in 13 CFR 120.420(f)) and with its state regulator
- ✓ Is not subject to any SBA enforcement actions
- ✓ Has not received a major substantive objection from its lead SBA Field Office

Delegated Authority Criteria Cont. . .

PLP

Intended for
experienced lenders

Must have disbursed at
least **5 SBA loans**
within the past 24
months

Express

If less than three years of
SBA lending experience,
lender must have had at
least **20 commercial**
loans for \$350,000 or
less at their most recent
fiscal year end

Delegated Authority Nomination Request Form (New authority)

LENDER NOMINATION REQUEST FORM for DELEGATED AUTHORITIES

<u>Lenders Legal Name and FIRS Number</u>		<u>Legal Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
<u>Legal Name of any Holding Company</u>	<u>Lenders SBA Field Office</u>	<u>SBA Contact Name/Title/Email/Phone #</u>	<u>Date of Request</u>	<u>Authorities Requested</u> <input type="checkbox"/> SBA Express <input type="checkbox"/> Export Express <input type="checkbox"/> PLP <input type="checkbox"/> PLP-EWCP	

<u>General Criteria Requirements for Nomination of Delegated Authority</u>	<u>YES/NO/NA</u>
Attached -- Form 750 (required), 750B (if applicable), and 750EX (for PLP-EWCP)	
Attached -- a certification letter, on bank letterhead, signed and dated, indicating you are in good standing with state regulators or FFIR. If there is an action against your institution concerning weaknesses in your loan administration (processing, underwriting and servicing) please state whether you are complying with the instructions as prescribed in the agreement/order.	
Attached -- a description of your history, organization, and management, including date chartered and any recent mergers or acquisitions. (for PLP only)	
Attached -- list of personnel who will be in charge of PLP loans and their experience. (for PLP only)	
Attached -- documentation re: where and how PLP loans will be processed, closed, serviced and liquidated. (for PLP only)	
Have you DISBURSED 5 SBA loans within the past 24 months ? Documentation showing the 5 DISBURSED loans must be submitted with this request. (for PLP only)	
Attached -- a list of 20 small commercial loans for \$350K or less at most recent fiscal year end. Please attach with request if you have 3 years or less SBA Lending Experience. (SBAExpress only)	
Attached -- a description of your experience in international trade lending including your level of EWCP over the last 2 years, Export-Import Bank (EX-Im) lending activity over the same 2 year period, and identification of any form of delegated lender status with Ex-Im or other trade finance agencies. (for PLP-EWCP only)	
Attached -- a list of personnel who will be in charge of EWCP loans and their experience in export trade finance for small concerns. (PLP-EWCP only)	

Please provide any additional comments below and attach any additional documentation you wish to include with your request.

Comments:

➤ Nominations – Lenders that have never held Delegated Authority

Delegated Authority Request Form (Reinstatement or additional authority)

LENDER REINSTATEMENT or ADDITIONAL AUTHORITY REQUEST FORM for DELEGATED AUTHORITIES

<u>Lenders Legal Name and FIRS Number</u>		<u>Legal Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
<u>Legal Name of any Holding Company</u>	<u>Lenders SBA Field Office</u>	<u>SBA Contact Name/Title/Email/Phone #</u>	<u>Date of Request</u>	<u>Authorities Requested</u> <input type="checkbox"/> SBA Express <input type="checkbox"/> Export Express <input type="checkbox"/> PLP <input type="checkbox"/> PLP-EWCP	

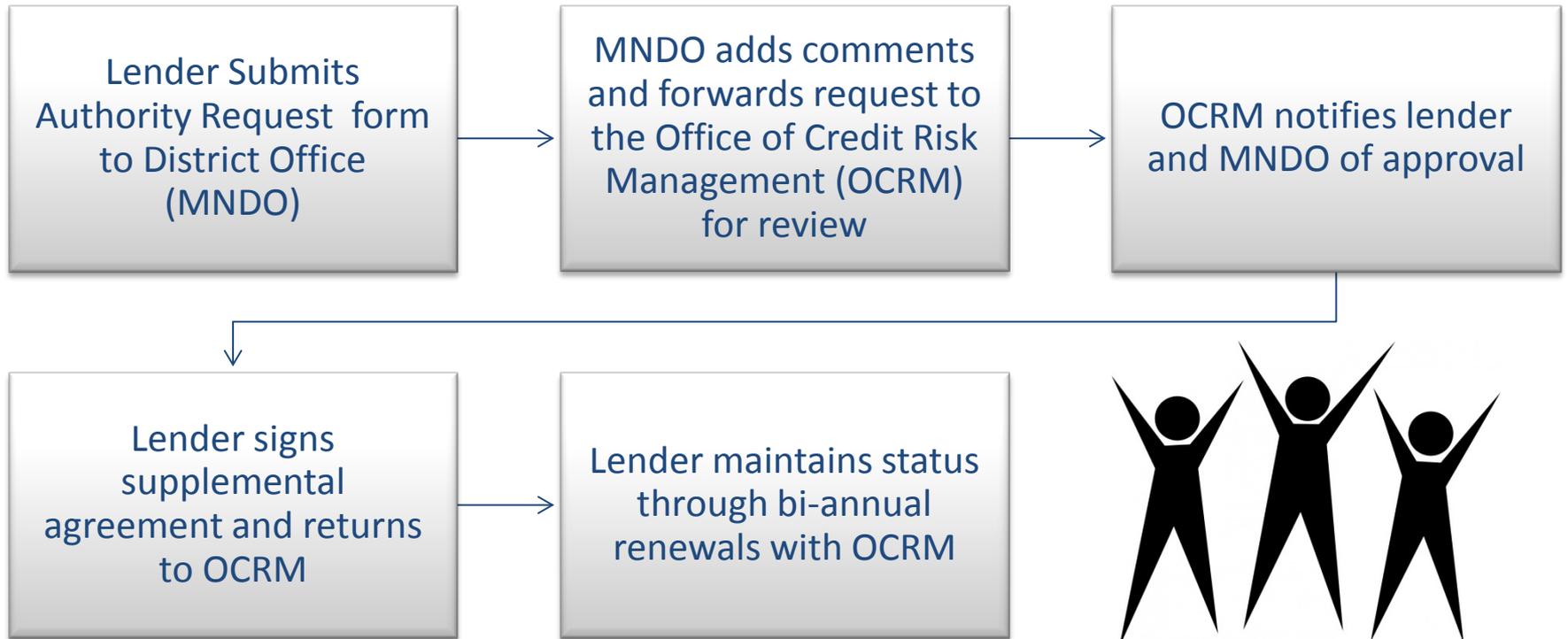
General Criteria Requirements for Reinstatement or Additional Delegated Authority	YES/NO/NA
Attached -- Form 750 (required), 750B (if applicable), and 750EX (for PLP-EWCP)	
Attached -- a certification letter, on bank letterhead, signed and dated, indicating you are in good standing with state regulators or FFIR. If there is an action against your institution concerning weaknesses in your loan administration (process, underwriting and service) please state whether you are complying with the instructions as prescribed in the agreement/order.	
Attached -- a description of your history, organization, and management, including date chartered and any recent mergers or acquisitions. (for PLP only)	
Attached -- list of personnel who will be in charge of PLP loans and their experience. (for PLP only)	
Attached -- documentation re: where and how PLP loans will be processed, closed, serviced and liquidated. (for PLP only)	
Have you DISBURSED <u>5</u> SBA loans within the past 24 months ? Documentation showing the 5 DISBURSED loans must be submitted with this request. (for PLP only)	
Attached -- a list of 20 small commercial loans for \$350K or less at most recent fiscal year end. Please attach with request if you have 3 years or less SBA Lending Experience. (SBAExpress only)	
Attached -- a description of your experience in international trade lending including your level of EWCP over the last 2 years, Export-Import Bank (EX-Im) lending activity over the same 2 year period, and identification of any form of delegated lender status with Ex-Im or other trade finance agencies. (for PLP-EWCP only)	
Attached -- a list of personnel who will be in charge of EWCP loans and their experience in export trade finance for small concerns. (PLP-EWCP only)	

Please provide any additional comments below and attach any additional documentation you wish to include with your request.

Comments:

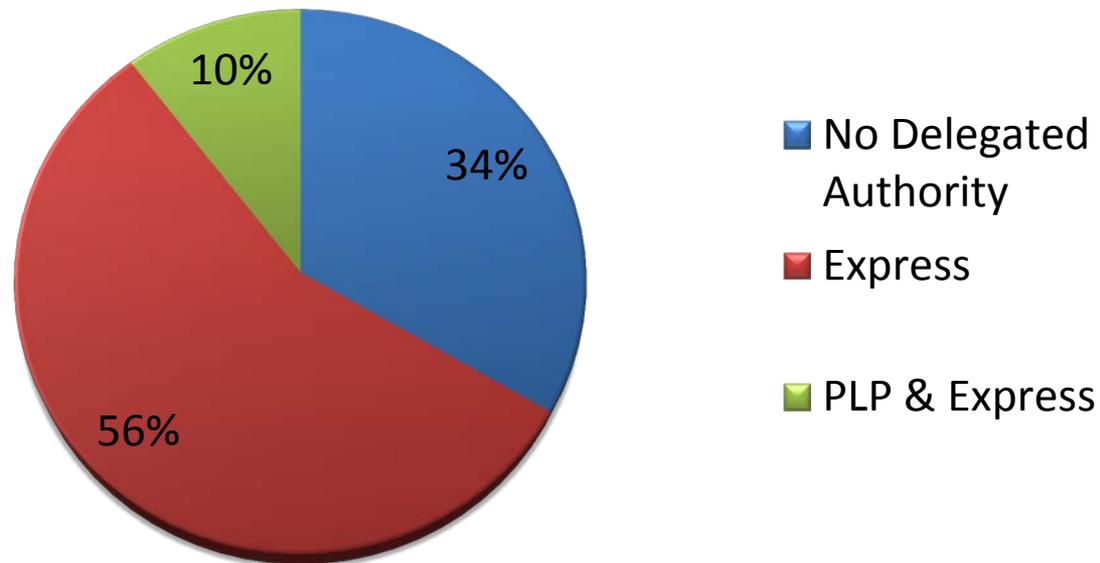
- **Re-instatements** – Lenders that have had a lapse in authority, failed to return executed agreements, renewal was denied, etc.
- **Additional Authority Requests** – Lenders with existing authority(ies) and wants to add an authority(ies)

Delegated Authority Application Process



Delegated Lenders in MN

7(a) Lenders



SOP 50 10 5(J) Update Reminders

SOP 50 10 5(J)

- ❑ Technical corrections (highlighted) version
- ❑ Technical corrections announced in SBA Information Notice [5000-17028](#)

Express LOC Maturity

Subpart B, Chapter 3

Express revolving lines of credit (LOCs) are limited to a maximum maturity up to 10 years including a term out period

- Express LOCs may revolve for no more than 60 months, with a term out period of up to another 60 months, for a total term of 120 months
 - No advances after the initial 60 month period
- Table on page 142

Revolving loans must be structured with a term-out period that is not less than the draw period, with no draws permitted during the term-out period

- Example: A loan can have an 8 year maturity with a 2 year draw period and a term-out period of 6 years
- ❖ SBA One has been updated to not allow input of a revolving period longer than 60 months

Equity Injection Requirements

Subpart B, Chapter 4

Start-Up Business

- At least ten (10) percent of the total project costs

Changes of Ownership

- Resulting in a new owner:
 - At least ten (10) percent of the total project costs
 - Seller debt may not be considered as part of this equity injection unless it is on full standby for the life of the SBA loan and does not exceed half of the required equity injection
- Between existing owners (partner buyout):
 - Pro-forma equity position after the change of ownership must be at least ten (10) percent of the total assets OR
 - Remaining owner(s) must provide an additional equity injection that will result in at least a 10 percent net worth (maximum pro forma debt-to-worth ration of 9:1)

Equity Injection Requirements

Subpart B, Chapter 4 (pages 174 & 178)

- **Total project costs (start-up)** – all costs required to become operational, regardless of the source of funds
- **Total project costs (change of ownership)** – all costs required to complete the change of ownership, regardless of the source of funds
- **“Start-up” for the purpose of determining equity injection requirements** – if the business has been in operation (generating revenue from intended operations) for up to one year

Equity Injection Requirements. . .

Sources of Equity Injection

Subpart B, Chapter 4 (pages 174-175)

- **Cash that is not borrowed**
- **Cash that is borrowed through a personal loan to the business owner**
 - Repayment demonstrated to come from a source other than the cash flow of the business
 - Salary paid to the owner by the business does not qualify
 - If personal loan is made by the participating lender, the lender must submit the application non-delegated
- **Assets other than cash**
 - Appraisal required if the valuation of the fixed asset is greater than the depreciated value
 - Valuation as part of a business valuation does not meet the requirement
- **Standby debt**
 - **Must be on full standby for the term of the SBA loan**
 - **Cannot be used for more than half of the equity injection requirement**

Equity Injection Requirements . . .

Documentation

Subpart B, Chapter 7 (page 225-226)

Lenders must verify the injection prior to disbursing any loan proceeds and must maintain evidence of such verification in their loan files. This documentation will be required with any purchase request.

Cash Injection Documentation:

- a) A copy of a check or wire transfer along with evidence that the check or wire was processed showing the funds were moved into the borrower's account or escrow;
- b) A copy of the two most recent statements from the account where the funds are being withdrawn (showing that funds were available); and
- c) A statement from the borrower's account documenting the funds were deposited or a copy of a settlement statement or HUD-1 showing the use of the cash.
- d) A promissory note, "gift letter" or financial statement is not sufficient evidence of cash injection without corroborating evidence consistent with this subparagraph C above.
- e) If the equity injection will come from any form of borrowed funds, such as a HELOC or seller financing in excess of the minimum borrower injection requirements outlined above, Lender must address the proposed repayment terms as well as any Standby or Subordination terms that will be in place.

Questions?

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Thank you ...