



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1136

SUBJECT: Additional Funding Available for
7(a) and 504 Recovery Act Loans

EFFECTIVE:
12/23/2009

On December 19, 2009, the President signed the Department of Defense Appropriations Act, 2010 (P. L. 111-118). This legislation provides an additional \$125 million to support approximately \$4.5 billion in new 7(a) and 504 loans under Sections 501 and 502 of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Specifically, these funds are available for the payment of certain 7(a) and 504 loan fees and a higher SBA guaranty for certain 7(a) loans. (For more detailed information on Sections 501 and 502 of the Recovery Act, see 74 FR 27196 (June 8, 2009) and 74 FR 27199 (June 8, 2009) and SBA Policy Notices 5000-1097, Implementation of Section 501 of the Recovery Act – Fee Elimination Provisions and 5000-1098, Implementation of Section 502 of the Recovery Act – Up to a 90 Percent Guaranty on 7(a) Loans. Both policy notices may be found at http://www.sba.gov/aboutsba/sbaprograms/elending/notices/BANK_FY_09_NOTICES.html.) This Notice explains how SBA will administer the new funds.

Funding of Loans in Queue

In anticipation of the exhaustion of Recovery Act funds from the initial appropriation in February 2009, SBA issued Procedural Notice 5000-1131 on November 16, 2009 to establish procedures to transition from Recovery Act funding back to non-Recovery Act funding. As described in Notice 5000-1131, SBA created two SBA Recovery Loan Queues: one for 7(a) loans and one for 504 loans. Under the transition procedures, applications for new Recovery Act loans and requests for increases to previously approved Recovery Act loans would be processed to the point of approval by SBA. All "conditionally approved" applications and requests for increases would then be placed in the appropriate Recovery Loan Queue to await the availability of Recovery Act funds.

(For a more detailed description, SBA Procedural Notice 5000-1131, Transition Period for Initiatives under Sections 501 and 502 of the Recovery Act may be found at http://www.sba.gov/aboutsba/sbaprograms/elending/notices/BANK_FY_10_NOTICES.html.)

As soon as the additional funds appropriated in the recent legislation are ready to be released, all "conditionally approved" requests in the 7(a) and 504 Recovery Loan Queues will be funded, along with new loan requests, in the order they are received, until the new funds are exhausted. Once all of the requests in the Recovery Loan Queues are funded, the 7(a) and 504 queue web pages will be temporarily removed because there will not be a need to place any applications into a queue to await funding. SBA will reactivate the queues, as necessary, as funds are close to being exhausted. The Recovery Loan Queue homepage will remain on the website and in the "green" phase as long as funding remains readily available.

EXPIRES: 12/1/2010

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SBA Form 1353.2 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

Information on the Recovery Loan Queues may be found on SBA's website at <http://www.sba.gov/recoveryq/index.html>.

Fee Refunds and Loan Cancellations

SBA will refund to lenders eligible fees on those non-Recovery Act loans approved on or after December 19, 2009 that would have been eligible for fee relief. If borrowers have already paid lenders for the fee on eligible loans, lenders must reimburse the borrowers from the SBA refund and retain documentation in their loan files to prove they have done so.

There will be no fee refunds or higher guarantees for loans approved as non-Recovery Act loans prior to December 19, 2009.

In addition, SBA will not allow loans that were approved prior to December 19, 2009 to be cancelled and then resubmitted as new Recovery Act loans unless the resubmitted loan is not a replacement for the original loan, as determined by SBA on a case by case basis. Cancellation and resubmission of the same loan would use the limited appropriations made available under the Recovery Act to provide fee relief and/or an increased guaranty on loans already approved without the need for the provisions of the Recovery Act and would be contrary to the intent of the new funding, which is to stimulate new lending.

SBA will consider on a case-by-case basis the submission of a loan that the lender can demonstrate is not a replacement for the original loan. Requests for such consideration must be submitted by the 7(a) lender to the Standard 7(a) Loan Guaranty Processing Center in Citrus Heights, California, and by the CDC to the Sacramento 504 Loan Processing Center. The request will be reviewed and a recommendation will be forwarded to the Director/Office of Financial Assistance for approval. Provisions for this consideration and the general cancellation policy were set out in SBA Policy Notice 5000-1103, effective April 10, 2009 (which can be found at http://www.sba.gov/aboutsba/sbaprograms/elending/notices/BANK_FY_09_NOTICES.html).

Extension of the Higher Guaranty on 7(a) Loans

The Department of Defense Appropriations Act also extended the higher guaranty for 7(a) loans available under section 502 of the Recovery Act to February 28, 2010. Because of this extension, new 7(a) loan applications with the higher guaranty may be approved by SBA through February 28, 2010 or such earlier date as funds are exhausted.

Continuing Requirements

As a reminder, all Recovery Act requirements continue to apply to new Recovery Act loans. This includes the requirement to document the loan file to show compliance with the particular eligibility requirements for Recovery Act loans. SBA Information Notice 5000-1134, issued December 9, 2009, reminds 7(a) lenders and CDCs of the specific documentation requirements for certifications concerning the borrower's hiring practices and that no Recovery Act loan funds go towards financing restricted uses (swimming pools, golf courses, zoos, aquariums and casinos).

or other gambling establishments). Lenders and CDCs are also reminded of the requirements governing the reporting of jobs created and retained.

SBA's web site will be modified consistent with this Notice.

SBA Field Offices will advise 7(a) lenders and CDCs of this Notice. Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

Grady B. Hedgespeth
Director, Office of Financial Assistance