

JUNE 2012

## INFORMATION

### **On-Line Lender Toolkit**

[www.sba.gov/for-lenders](http://www.sba.gov/for-lenders)

### **Des Moines District Office**

210 Walnut Street, Rm. 749  
Des Moines, IA 50309-2186  
(515) 284-4422  
(515) 284-4572 (Fax)  
[www.sba.gov/ia](http://www.sba.gov/ia)

Joseph M. Folsom  
District Director  
(515) 284-4026

[joseph.folsom@sba.gov](mailto:joseph.folsom@sba.gov)

### **Cedar Rapids Branch Office**

2750 1<sup>st</sup> Ave. NE – Ste. 350  
Cedar Rapids, IA 52402  
(319) 362-6405  
(319) 362-7861 (Fax)

Dennis Larkin  
Branch Manager  
(319) 362-6405 ext. 2020  
[G.D.Larkin@sba.gov](mailto:G.D.Larkin@sba.gov)

### **Standard 7(a) Loan Guaranty Processing Center**

6501 Sylvan Road  
Citrus Heights, CA 95610  
Phone: (916) 735-1960  
ext. 4368  
Fax: (916) 735-1975  
or  
(916) 735-1680

**OR**

262 Black Gold Blvd.  
Hazard, KY 41701  
Phone: 606-436-0801  
ext. 229  
Fax: (606) 435-2400  
E-mail:  
[loanprocessing@sba.gov](mailto:loanprocessing@sba.gov)

### **Fresno Servicing Center**

Fresno, CA  
1-800-347-0922  
202-481-0483 Fax

### **Liquidation & Purchase Center**

Herndon, VA  
(703) 487-9283  
(202) 481-4674 Fax

### **504 & PLP Processing Center**

6501 Sylvan Road  
Citrus Heights, CA 95610  
(916) 930-2463 or 930-2460  
(916) 930-2160 FAX

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

## E-Tran Assistance, Lender Portal, and Export Loans

Earlier this month SBA district office staff from both the Cedar Rapids and Des Moines offices participated in a regional training session designed to enable us to better serve you our lending partners. I thought I would take a moment to briefly discuss some of the topics covered to provide you some insight on how you may better utilize our services.

Not familiar with E-Tran or having problems with an application you are submitting via e-Tran? Our staff now has the capability to login and follow your steps in that process once you have an application number. That means we can shadow you to assist you in the process in a live manner.

E-Tran access is now required for submittal of Express and PLP applications. The revised and Small Loan Advantage (SLA) program changes effective June 1<sup>st</sup> require the use of E-Tran for the credit prescreening. E-Tran is the preferred method of processing routine servicing action for which lender have received unilateral authority.

Not signed up for E-Tran. go to [www.sba.gov/for-lenders](http://www.sba.gov/for-lenders) and click on the E-Tran button in the middle of the page for step by step instructions.

SBA does a risk assessment on each lender's SBA loan portfolio each quarter. An assessment with an assigned SBPS credit score is done each of over 350,000 loans. These assessments are then combined to provide an overall risk rating for the lender.

These are predictive scores based upon third party data on the business and borrow. You as a lender are able to access the risk band, not individual scores, for your borrowers and your institution's lender risk rating. For information on how your institution may apply for access to the Lender Portal go to instructions on <https://pdpsba/pdlogin.asp>. This loan level data may be downloaded by your institution for quarter to quarter comparison.

Want to get a sense of what SBA will be reviewing if your institution is subjected to a review by our office of Credit risk Management visit <http://www.sba.gov/about-offices-content/1/693>. Here you will find both 7(a) and 504 loan file review checklists.

We will be covering aspects of these topics in greater detail in future newsletters.

While reviewing data on this year's loan approvals I noted a number of regular SBA Express and standard 7(a) loans where the business indicated they engaged in exporting their products/services. Just a helpful hint, if your customer engages in exporting products and services there is high likelihood the business would qualify for an International Trade Loan, Export Express, or Export Working Capital Loan.

By just getting a small amount of additional information and asking a few more questions you may be able to increase the loan guarantee percentage to 90%. I suspect each of those 11 loans may well have been eligible for the 90% guarantee as opposed to the 50% or 75% guarantee. Keep in mind a business that engages in indirect export is eligible for an International Trade Loan.

For those that were unable to join us for the recent webinars on the new SOP 50 10 5(E) (which became effective June 1, 2012) and the Small Loan Advantage program, will be scheduling an additional webinar training opportunity for lenders in Region VII in the coming weeks. Be watching for a training announcement to be issued soon.

In the meantime if you have questions or need additional guidance do not hesitate to reach out to the staff in either Cedar Rapids or Des Moines offices.

- Joseph M. Folsom, District Director

## Effective Net Worth as Equity Injection on SBA Guaranteed Loans

Prudent Iowa lenders require enough equity injection to ensure the long term survival of a new or purchased business. The SBA offers flexibility with this requirement at the time of application. While cash is still the most common form of injection, the agency permits consideration of what we term Effective Net Worth.

Standby debt offered by the seller in a change of ownership can be considered Effective Net Worth, but it is expected to be on full standby, with no payments for the term of the SBA loan. If there is sufficient historical business cash flow, the lender can request that interest-only payments be permitted. This must be documented in the credit memo.

Similarly, after a couple years of satisfactory performance for the business, the lender can request that the SBA permit interest only payments to begin at that point.

Borrowers will occasionally inject business-related assets other than cash. Real estate is one such case, but also assets such as mechanics' tools for an auto repair business, or a tractor-trailer rig for a trucking company. The valuation of these non-cash assets should be at net book value. An appraisal should be made if the proposed value is above net book value.

We can also consider cash that is borrowed personally as Effective Net

Worth, but only if this personal loan is serviced by a source other than the business. Otherwise, we consider this as just another debt to the business.

So the injection of Effective Net Worth for the SBA's purposes can include not only cash, but standby debt, business-related assets, and even cash personally borrowed. You can find more on the SBA's policy on equity requirements in SOP 50 10 5(E), pages 187-188.

You can find the New SOP 50 10 5(E) at the following link  
[http://www.sba.gov/sites/default/files/SOP%2050%2010%205\(E\)%20\(5-16-2012\)%20clean.pdf](http://www.sba.gov/sites/default/files/SOP%2050%2010%205(E)%20(5-16-2012)%20clean.pdf)

## SBA Lender Activity Report for MAY

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
NORTHWEST BANK & TRUST	DAVENPORT	7	\$818,700	FIRST NEWTON NATIONAL BANK	NEWTON	1	\$225,000
CEDAR RAPIDS BANK & TRUST CO.	CEDAR RAPIDS	4	\$1,264,200	WEST BANK	WDM	1	\$200,000
FARMERS & MCHNTS SVGS BANK	MANCHESTER	3	\$2,560,000	COMMUNITY FIRST BANK	KEOSAUQUA	1	\$180,000
COMMUNITY BANK	INDIANOLA	3	\$510,000	FIRST PREMIER BANK	SIoux FALLS	1	\$144,000
GREAT WESTERN BANK	IOWA	3	\$410,000	LEIGHTON STATE BANK	PELLA	1	\$120,000
UNITED BANK IOWA	IDA GROVE	3	\$371,000	FARMERS STATE BANK	MARION	1	\$115,000
U.S. BANK	CINCINNATI	3	\$50,000	IOWA STATE BANK	WAPELLO	1	\$115,000
SIouxLAND ECON. DEV. CORP.	SIoux CITY	2	\$1,420,000	HILLS BANK AND TRUST CO.	HILLS	1	\$101,700
CLEAR LAKE BANK & TRUST CO.	CLEAR LAKE	2	\$175,000	COMMUNITY SAVINGS BANK	EDGEWOOD	1	\$100,000
FARMERS STATE BANK	WATERLOO	2	\$131,800	PEOPLES SAVINGS BANK	WELLSBURG	1	\$100,000
GATEWAY STATE BANK	CLINTON	2	\$130,000	IOWA BUSINESS GROWTH CO.	JOHNSTON	1	\$68,000
COMPASS BANK	ALABAMA	1	\$825,000	FIRST NATIONAL BANK	AMES	1	\$65,000
E.C.I.A. BUSINESS GROWTH, INC.	DUBUQUE	1	\$614,000	SAVINGS BANK	PRIMGHAR	1	\$50,000
WELLS FARGO BANK	SIoux FALLS	1	\$503,600	HERITAGE BANK NATL ASSOC	SPICER	1	\$42,000
KERNDT BROTHERS SVGS BANK	LANSING	1	\$326,000	FIDELITY BANK & TRUST	DUBUQUE	1	\$38,000
NORTHWEST BANK	SPENCER	1	\$300,000	COMMUNITY STATE BANK	MINNESOTA	1	\$30,000

*The following lenders were participant lenders in the SBA's 504 Loan Program in Iowa during the month of May*

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
CLEAR LAKE BANK & TRUST CO.	MASON CITY	1	\$925,000	CEDAR RAPIDS BANK & TRUST CO.	CEDAR RAPIDS	1	\$690,000
AMERICAN STATE BANK	HULL	1	\$796,000	FARMERS STATE BANK	HIWATHA	1	\$93,000