



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1309

SUBJECT: Additional Clarification on Fee
Reductions for Loans of
\$150,000 or Less

EFFECTIVE: 3-18-14

The purpose of this Notice is to provide additional clarification on the FY2014 reduction in fees for all 7(a) loans of \$150,000 or less that was announced on September 24, 2013, in SBA Information Notice 5000-1288. (SBA previously provided clarification in Information Notice 5000-1294 on December 12, 2013.) Based on loan activity in the first quarter of FY2014, SBA conducted further review of the policies applied to the fee reductions for such loans. Accordingly, the following additional clarification is being issued.

Any 7(a) loan of \$150,000 or less, regardless of term, will not be charged an upfront guaranty fee or be subject to the yearly fee (also known as the ongoing servicing fee) if:

- It was guaranteed by SBA during FY2014; and
- It is either:
 - The only 7(a) loan approved for the business applicant (or its affiliates) within a 90 day period; or
 - Part of a companion group of 7(a) loans approved for the same business applicant (or its affiliates) within a 90 day period, and the combined amount of all loans does not exceed \$150,000.

Different fee policies apply when any companion group of 7(a) loans, regardless of term, are approved within 90 days of each other and their combined gross loan amount exceeds \$150,000.

Because the upfront guaranty fee is based on the amount of the SBA share, that fee will be calculated based on the combined SBA shares of all SBA business loans to one borrower, including affiliates, approved within 90 days of each other. (Note: The upfront guaranty fee on loans with a maturity of 12 months or less is calculated separately from the upfront guaranty fee on loans with a maturity of over 12 months.) See SOP 50 10 5 (F), Subpart B, Chapter 3. The applicable upfront guaranty fee and yearly fee will be applied to the loan that takes the combined total over \$150,000.

Example

Loan One approved February 1, 2014
\$100,000 (under 12 months)
Guaranty Percentage: 85%

Because the gross loan amount approved is under \$150,000, both the upfront guaranty fee and the yearly fee = ZERO.

EXPIRES: March 1, 2015

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

Loan Two approved February 15, 2014
\$50,000 (over 12 months)
Guaranty Percentage: 85%

Because the combined gross loan amount approved is not over \$150,000, both the upfront guaranty fee and the yearly fee = ZERO.

Loan Three approved February 28, 2014
\$130,000 (over 12 months)

Guaranty Percentage: The gross dollar amount of all loans (including the short-term loan) will be combined and the guaranty percentage on Loan Three will be reduced accordingly so that the combined guaranty for all three loans is no more than 75% of the combined loan amount. See SOP 50 10 5 (F), Subpart B, Ch. 3, Para. II.B.

Guaranty Fee Calculation for Loans in Above Example:

When the applicant receives both a short term and a long term 7(a) loan in a 90 day period, the loans are aggregated in order to determine if the loans are over \$150,000, but the upfront guaranty fee for the short term loan(s) is calculated separately from the long term loan(s). Thus, in this example, the upfront guaranty fee for Loan One is calculated at the short term rate of 0.25% of the guaranteed portion and the upfront guaranty fee for Loans Two and Three are calculated at the long term rate applicable to the combined loan amount, which in this case is 3% of the guaranteed portion.

Loan One:
 $\$100,000 \times 0.85 \times 0.0025 = \212.50

Loans Two and Three:
Loan Two is combined with Loan Three for a total loan amount of \$180,000 and the fee is calculated as:
 $\$180,000 \times 0.75 \times 0.03 = \$4,050$

The combined guarantee fee on all three loans (\$4,262.50) will be charged per standard procedures as if no fee waiver had occurred.

Yearly Fee for Loans in Above Example:

Loans One and Two did not exceed \$150,000 and, therefore, would have no yearly fee. Loan Three would have the normal yearly fee.

SBA continues to encourage lenders to increase their small loan activity to borrowers.

Notification and Questions

SBA field offices must notify Lenders and CDCs about the fees. 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/about-offices-list/2.

Linda S. Rusche
Director
Office of Financial Assistance