



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1128

SUBJECT: New Maximum Allowable Fixed
Rate for 7(a) Loans

EFFECTIVE: 10/1/2009

Agency regulations at 13 CFR 120.213(a), Fixed Rates for Guaranteed Loans, state the following: “A loan may have a reasonable fixed interest rate. SBA periodically publishes the maximum allowable rate in the FEDERAL REGISTER.” On October 1, 2009, SBA published a notice in the Federal Register announcing the new maximum allowable fixed rate on 7(a) loans (other than SBA Express and Export Express). ([74 FR 50263](#))

For a number of years, the SBA maximum allowable fixed rate has been based on the Prime rate. In order to provide small businesses with an opportunity to lock in the fixed interest rates available in the market today, SBA is revising how the maximum allowable fixed rate is calculated. Effective October 1, 2009, the SBA maximum allowable fixed rate for 7(a) loans (other than SBA Express and Export Express loans) will utilize a new base rate for fixed rate loans (Fixed Base Rate) plus the maximum allowable spreads that are already being used on variable rate loans.

The new Fixed Base Rate for a 7(a) guaranteed loan (other than SBA Express and Export Express) is calculated as follows:

- 1) The SBA LIBOR Base Rate (defined in 13 CFR 120.214 as the 1-month LIBOR in effect on the first business day of the month as printed in a national financial newspaper each business day PLUS 300 basis points), plus
- 2) The average of the 5-year and 10-year LIBOR swap rates in effect on the first business day of the month as printed in a national financial newspaper published each business day.

Thus, the maximum allowable fixed rate for 7(a) loans (other than SBA Express and Export Express) will be the Fixed Base Rate plus the allowable interest rate spreads identified in 13 CFR 120.214 (d) and (e) and 13 CFR 120.215. (For SBA Express and Export Express loans, the maximum allowable interest rate is the prime rate plus 6.5 or 4.5, depending on the loan amount. See SOP 50 10 5(B), Subpart B, Chapter 3. SOP 50 10 5(B) may be found at <http://www.sba.gov/aboutsba/sbaprograms/elending/reg/index.html>.)

The following is an example of the calculation for 7(a) loans (other than SBA Express and Export Express) submitted to SBA in September 2009 if the new process had been in place:

- 1) The SBA LIBOR Base Rate for September was 3.26.
- 2) The 5-year LIBOR swap rate on the first business day of September as published in a national financial newspaper was 2.72 (rounded to the second decimal). The 10-year LIBOR swap rate on the first business day of September as published in a national financial newspaper was 3.60 (rounded to the second decimal). The average of these two rates is 3.16.

EXPIRES: 10/1/2010

PAGE 1 of 3

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

The SBA Fixed Base Rate for September 2009 would have been 6.42 [3.26 (SBA LIBOR Base Rate) + 3.16 (average of 5-year and 10-year LIBOR swap rates)].

Thus, the maximum allowable fixed rates for September would have been:

For 7(a) loans with a maturity less than 7 years: 6.42 (SBA Fixed Base Rate for September) + 2.25 (maximum spread for loans with a maturity less than 7 years) equals **8.67 (maximum allowable fixed rate)**. If the loan amount is over \$25,000 but not exceeding \$50,000, the maximum fixed rate may be increased by one percentage point. If the loan amount is \$25,000 or less, the maximum fixed rate may be increased by two percentage points.

For 7(a) loans with a maturity of 7 years or more: 6.42 (SBA Fixed Base Rate for September) + 2.75 (maximum spread for loans with a maturity of 7 years or more) equals **9.17 (maximum allowable fixed rate)**. If the loan amount is over \$25,000 but not exceeding \$50,000, the maximum fixed rate may be increased by one percentage point. If the loan amount is \$25,000 or less, the maximum fixed rate may be increased by two percentage points.

The maximum allowable fixed rates will be calculated by SBA monthly and posted at www.sba.gov/aboutsba/sbaprograms/elending as well as at www.colsonservices.com.

The mechanism to calculate the maximum allowable fixed rates identified in this Notice will be used to develop the maximum rates for 7(a) applications (other than SBA Express and Export Express) received by SBA on or after October 1, 2009. A new rate will be calculated monthly and put on the web site on the second business day of the month.

Questions on the maximum allowable fixed rates may be directed to the Lender Relations Specialist in the local SBA district office. The local SBA district office may be found at www.sba.gov/localresources.

Grady B. Hedgespeth
Director
Office of Financial Assistance

Attachment

Attachment

	September 1, 2009 Maximum Allowable Fixed Rate*
<u>Maturities under 7 years</u>	(example only – not to be used)
Loan greater than \$50,000	8.67
Loan between \$25,000 and \$50,000	9.67
Loan of \$25,000 or less	10.67
<u>Maturities of 7 years or more</u>	(example only – not to be used)
Loan greater than \$50,000	9.17
Loan between \$25,000 and \$50,000	10.17
Loan of \$25,000 or less	11.17

* September is being used ONLY AS AN EXAMPLE because the SBA LIBOR Base Rate and the LIBOR swap rates used in the calculation were already published. The new maximum allowable fixed rates are not available for loans submitted to SBA during September. The new SBA maximum allowable fixed rates will be available for 7(a) loan applications (other than SBA Express and Export Express) received by SBA on or after October 1, 2009.