



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1173

SUBJECT: Small Business Jobs Act:
Extension of Authority for 7(a) and
504 Recovery Loans

EFFECTIVE: 9/29/2010

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 (the "Small Business Jobs Act"). This legislation provides an additional \$505 million to the Small Business Administration to support as much as \$14 billion in lending to small businesses. These funds are available to provide fee relief for new 7(a) and 504 loans under Sections 501 and 502 of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). In addition, this legislation extends the authority for SBA to provide a higher guaranty on eligible 7(a) loans to December 31, 2010.

Funding of Loans in Queues

504 Loans

As soon as funds become available, SBA will begin funding applications that remain in the 504 Recovery Loan Queue. SBA expects that funds will become available on or after October 1, 2010. Borrowers and lenders are advised that while these loans will be eligible for processing fee relief, they also will be subject to a higher annual fee of 0.749% as announced in SBA Information Notice 5000-1172, issued September 28, 2010. This may be a consideration in whether or not to leave a loan in the Recovery Loan Queue.

7(a) Loans

For 7(a) loan applications (other than SBA Express loans) that are in the 7(a) Recovery Loan Queue, SBA will approve these loans with a 90 percent guaranty in addition to fee relief as soon as funds become available (expected on or after October 1, 2010). This will relieve lenders of the need to withdraw loans from the Queue and resubmit them in order to receive the higher guaranty. SBA believes that most, if not all, lenders will prefer the higher guaranty that is now available under the Small Business Jobs Act. (SBA Express loans are not eligible to receive the higher guaranty and will only receive fee relief.)

If a lender does not want the higher guaranty percentage and the additional annual fees it will require, the lender may use E-Tran to reduce the guaranty as a unilateral servicing action if it is a delegated lender. Non-delegated lenders that do not use E-Tran should contact the Standard 7(a) Loan Guaranty Processing Center to reduce the guaranty percentage. Lenders will be able to reduce the guaranty on the loan at any time, but for reductions requested after the SBA loan number is received SBA will only make adjustments to annual service fee billings for loans

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where the lender reduces the guaranty percentage through E-Tran or the Standard 7(a) Loan Guaranty Processing Center within 90 days of the date of this notice.

There is an additional closing requirement for 7(a) loans that receive the higher guaranty that must be met, which was also required by statute for Recovery Act loans receiving the higher guaranty. Prior to first disbursement on a 7(a) loan with the increased guaranty, lenders must require that the Borrower and any Operating Company certify that they have not been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien. This certification is in addition to the existing disclosure requirement on SBA Form 912, Statement of Personal History. (See the notice published in the Federal Register on June 8, 2009 at 74 FR 27199, 27200.)

The 7(a) Loan Authorization Boilerplate incorporates this certification for Standard 7(a), Certified Lender Program, Preferred Lender Program and Small/Rural Lender Advantage loans. For any Pilot Loan Program loans, the lender will be responsible for adding this requirement to the loan authorization.

Appendix D of the [7\(a\) boilerplate authorization](#) provides a sample Borrower's Certification containing the required language.

Restricted Uses

Section 1604 of the Recovery Act states that none of the funds appropriated or otherwise made available in the Recovery Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. SBA Policy Notice 5000-1105 (effective date 5-22-2009) provided guidance on this restriction on the use of funds for SBA's Recovery Act loans. This restriction will not apply to 7(a) and 504 loans with reduced or eliminated fees or to 7(a) loans with the higher guaranty percentage that are approved under the Small Business Jobs Act.

7(a) Recovery Loans that were approved by SBA prior to September 27, 2010

Recovery loans that have been approved by SBA (as evidenced by receipt of an SBA loan number) with the lower guaranty percentage cannot be cancelled and resubmitted for the higher guaranty. In addition, lenders may not request an increase to the guaranty percentage on their Recovery loans as a servicing action.

Non-Recovery loans approved prior to September 27, 2010 also cannot be cancelled and re-submitted as a Recovery loan.

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

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