



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1182

SUBJECT: Small Business Jobs Act of 2010:
Changes to the 7(a) Loan Program

EFFECTIVE:
10-25-2010

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 (the “Small Business Jobs Act”) (Pub. L. 111-240).

The Small Business Jobs Act makes significant changes to the amounts that a small business may borrow through the 7(a) loan program, increasing the overall 7(a) loan limit from \$2 million to \$5 million. In addition, the act makes changes to several 7(a) sub-programs. Some of the changes are permanent and others are temporary. The purpose of this Notice is to provide a description of the changes along with a chart to explain how these changes affect SBA 7(a) programs.

Loan Limit Changes in the 7(a) Loan Program

The maximum loan amount for 7(a) loans is increased from \$2 million to \$5 million. In addition to having maximum loan sizes, SBA has limits on the total amount that the Agency can guarantee on a loan to a borrower. In order to ensure that borrowers can fully take advantage of higher dollar loans, the maximum guaranteed amount is increased from \$1,500,000 to \$4,500,000 to any one borrower (including affiliates) for loans approved from September 27, 2010 through December 31, 2010, in line with SBA’s temporary authority to guarantee 90% of each loan. On January 1, 2011, the maximum guaranteed amount will be reduced to \$3,750,000, in line with SBA’s regular authority to guarantee 75% of a loan for loans over \$150,000 except as set forth in the tables below.

General 7(a) Loan Limitations*			
	Before	As a result of the Small Business Jobs Act	Small Business Act Reference
Maximum Loan Amount	\$2,000,000	\$5,000,000	§7(a)3(A)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	\$1,500,000	\$4,500,000 (90%) through 12/31/2010 \$3,750,000 (75%) beginning 1/1/2011	§7(a) 3(A)
Maximum SBA guaranty percentage	85% for loans of \$150,000 or less; 75% for loans greater than \$150,000	90% for all loans through 12/31/2010 Beginning 1/1/2011: 85% for loans of \$150,000 or less; 75% for loans greater than \$150,000	§7(a) 2(A)

*The Small/Rural Loan Advantage process continues to be limited to loans of \$350,000 or less.

EXPIRES: 10-1-2011

PAGE 1 of 4

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

International Trade			
Export Express (made permanent by the Small Business Jobs Act)			
	Before	As a result of the Small Business Jobs Act	Reference
Maximum Loan Amount	\$250,000	\$500,000	7(a)(35)(C)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	85% for loans of \$150,000 or less 75% for loans greater than \$150,000	90% for loans of \$350,000 or less 75% for loans greater than \$350,000	7(a)(35)(C)
Export Working Capital Program (EWCP)			
Maximum Loan Amount	\$2,000,000	\$5,000,000	7(a)(14)(B)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	\$1,500,000	\$4,500,000	7(a)(2)(D)
Maximum SBA guaranty percentage	90% up to a loan of \$1,666,667, with a declining percentage thereafter (as the maximum guaranty was \$1,500,000)	90%	7(a)(2)(D)
International Trade Loans			
Maximum Loan Amount	\$2,000,000	\$5,000,000	7(a)(3)(B)
Maximum amount of SBA Guaranty to any one Borrower (including all affiliates)	\$1,500,000	\$4,500,000	7(a)(3)(B)
Maximum SBA guaranty percentage	85% for loans of \$150,000 or less 75% for loans greater than \$150,000	90%	7(a)(2)(E)
International Trade and EWCP Loan Limits When Combined (The loan and guaranty limits for each when a small business borrows both an IT loan and an EWCP loan)			
Maximum Combined Loan Amount	\$2,000,000	\$5,000,000	7(a)(3)(B)
Maximum amount of SBA Guaranty	Total: \$1,750,000 (guaranty amt.) EWCP Loan: \$1,250,000 (guaranty amt.) IT Loan: Difference between Total and EWCP guaranteed portion	Total: \$4,500,000 (guaranty amt.) EWCP Loan: \$4,000,000 (guaranty amt.) IT Loan: Difference	7(a)(3)(B)

SBA Express (does not include Community Express, Patriot Express or GO Loans)			
	Before	As a result of the Small Business Jobs Act	Small Business Act Reference
Maximum Loan Limit	\$350,000	\$1,000,000 through 9/26/2011 \$350,000 beginning 9/27/2011	§7(a)(31)(D)
Maximum SBA guaranty percentage	50%	No change	

Community Express, Patriot Express, and GO Loans			
	Before	As a result of the Small Business Jobs Act	Small Business Act Reference
Maximum Loan Limit	\$250,000 (Comm. Exp.) \$500,000 (Patriot Exp.) \$150,000 (GO Loans)	No change (pilot program)	Pilot Program
Maximum SBA guaranty percentage	85% for loans of \$150,000 or less; 75% for loans greater than \$150,000	90% for all loans through 12/31/2010 Beginning 1/1/2011: 85% for loans of \$150,000 or less; 75% for loans greater than \$150,000	Pilot Program

Implementation of Loan Limit Changes

Lenders who use E-Tran to submit loan applications, or who submit loan applications directly to the Standard 7(a) Loan Guaranty Processing Center, can begin applying for loans immediately.

Lenders who use proprietary or vendor-designed (third-party) software to submit applications will need to check with their software vendors. Some vendors have already adjusted their software programs to permit larger-dollar loans and higher guaranties, while others will be making those adjustments in the coming weeks.

E-Tran Submissions and a Lender's Responsibility

Because of the extensive program changes as a result of the Small Business Jobs Act, some software vendors have not yet adjusted their programs to be consistent with the new maximum loan and guaranty limits. It is a lender's responsibility to ensure all applications submitted to SBA reflect the loan and guaranty amounts desired.

If, for example, a lender has asked for a \$3,000,000 loan with a 90 percent guaranty, but the private software does not permit a 90 percent guaranty and the loan application is approved by SBA (as evidenced by the issuance of a loan number) and recorded in E-Tran as a 75 percent guaranty, the lender is responsible for immediately contacting the appropriate SBA servicing center to identify the error and resolve the issue. Otherwise, SBA will assume the terms transmitted by the software were accurate. If a lender has submitted a loan request to SBA to include fee relief but the approval includes a fee, the lender must contact the appropriate servicing center immediately to correct the loan information.

If a lender's software package has not been updated, the lender can submit the application via E-Tran or manually correct the forms and fax them into the Sacramento Loan Processing Center.

The Recovery Act and the Small Business Jobs Act of 2010

The Small Business Jobs Act extended fee relief on eligible 7(a) loans and the higher guaranty percentage for eligible 7(a) loans available under Sections 501 and 502 of the Recovery Act. (See Information Notice 5000-1173, eff. date 9-29-2010.) Beginning October 1, 2010, loans approved with fee relief and the higher guaranty percentage will be known as Small Business Jobs Act loans. Once the Small Business Jobs Act funds and authority have expired, SBA will be unable to approve increases to Small Business Jobs Act loans. A request by the borrower for additional funding after the authority has expired must be submitted as a new loan application.

For Recovery loans approved prior to October 1, 2010, those borrowers that need additional funding must submit a new loan application. If approved, the new loan will be funded from the appropriations provided by the Small Business Jobs Act and will receive the higher guaranty and/or fee relief, as appropriate, unless the Small Business Jobs Act funds and authority have expired.

For non-Recovery loans approved prior to October 1, 2010, SBA may continue to process requests for increases to these loans in accordance with SOP 50 10 5(C), Subpart B, Chapter 3, Para. I.D. As a reminder, requests for increases are subject to the maximum loan and guaranty limitations in effect when the loan was originally approved and will not receive the higher guaranty or fee relief provided by the Small Business Jobs Act. If the borrower is seeking a loan with the higher loan limits, higher guaranty or fee relief, the borrower must request a new loan.

Further guidance will be issued about other aspects of the Small Business Jobs Act of 2010 as appropriate.

SBA Field Offices will advise 7(a) lenders 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
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