U.S. Small Business Administration

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LENDER NEWS

U.S. SMALL BUSINESS ADMINISTRATION - DES MOINES DISTRICT OFFICE April, 2004

From the District Director's Desk

SBA's 50th, Big Month and Servicing Notes

We are nearing the end of the 50th Anniversary events that have been held around the country marking SBA's fifty years of service to the small businesses in America. Beginning with the initial event held at the Eisenhower Library in Abilene, KS, through the final event held in Kansas City, MO on April 12, the spotlight was on all of our dedicated lending partners and the 25 million small businesses that we serve.

At the Kansas City event, Andy Merical, owner of Hydro-Klean, Inc., Des Moines, was presented with our District Director's Choice Award. Hydro-Klean, the recipient of two 504 loans in recent years, also took advantage of Section 179 of the Tax Code this past year, all of which has helped to grow the business and create new jobs.

While in KC, Andy also participated in a small business roundtable with SBA Administrator Hector Barreto and Treasury Secretary, John Snow. The two 504 loans were submitted through Iowa Business Growth Company with Community State Bank of Ankeny as the participating lender on both loans.

As you can see in our lender activity report on page 3, the month of March proved to be a busy one. If you're not currently a participant in the SBA loan programs, call us for information and/or one-on-one training.

Also, in this issue, is an **important** article regarding the **current policy** concerning servicing actions. SBA has delegated to lenders (other than PLP and SBA*Express* lenders) the unilateral authority to take certain "non-substantial" servicing actions. Please pay particular attention to **Actions that Should NOT be Submitted to SBA**. Because of the on-going effort within SBA to streamline all servicing functions, the Agency will no longer process, record or acknowledge such actions. As always, if you have any servicing or liquidation questions, please call our Des Moines or Cedar Rapids offices.

Sincerely,

John R. Langin

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Acting District Director

Streamlining of SBA Loan Servicing

Before lenders may take certain servicing actions, they must obtain prior written approval by SBA. Other than these specific actions referenced below, SBA has delegated to such lenders all other servicing actions, pursuant to regulation, SOP, and supplemental loan guaranty agreements. *However, lenders must document their loan files concerning the actions taken.*

Actions Requiring SBA Approval

The following actions are not delegated to PLP Lenders or to Lenders on LowDoc Loans:

- Actions that would confer a preference on a lender.
- Compromise with any obligor for less than the full outstanding principal loan balance.
- Release a guarantor if the loan is delinquent or liquidation is contemplated.
- Title property in the name of SBA.
- Take title to environmentally impaired property
- Transfer loan to another lender.
- Sell or pledge more than 90% of the loan.
- Change guaranty percentage.
- Emergency repurchase from secondary market.
- Handle non-routine (contested) litigation or litigation with legal costs over $5,000.

CONTINUED ON PAGE 2

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Liquidation & Purchase Center
Herndon, VA
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PLP Processing Center
Sacramento, CA
(916) 930-2463 or 930-2460
(916) 930-2160 FAX

Empowering America's Entrepreneurs

Notes on Streamling of SBA Loan Servicing (continued)

SBA*Express*

In addition to the previous items listed, the following actions are not delegated to SBA*Express* Lenders:

- Increase the principal amount of the loan.
- Disburse a loan with primary collateral having significant potential environmental risks that are proposed to be minimized by a non-standard indemnification agreement.
- Select firms owned by officers, directors, employees or 10% or more stockholders of the lender to provide care and preservation services, legal assistance, or other liquidation services.
- Release collateral that will be subsequently pledged for a conventional loan from the lender or any entity owned in whole or in part by the lender's officers, directors, employees, or 10% or more shareholders.

Actions That *Require Notification* to SBA

For the following delegated/unilateral servicing actions, all lenders/CDCs must notify the Commercial Loan Servicing Center (CLSC when taking such actions because SBA must update its accounting records and loans database to reflect the changes. However, these changes do not require SBA's approval or response. SBA will not respond to the lender/CDC and will no longer process such actions other than be simply making the necessary changes to the SBA's databases.

- Loan cancellations.
- Decreases in loan amounts.
- Changes of maturity.
- Changes of business name and address.
- Extensions of disbursement periods.
- Notice of prepayment.

Actions That Should NOT be Submitted to SBA

SBA has delegated to lenders (other than PLP and SBA*Express* Lenders) the unilateral authority to take "non-substantial" servicing actions, including but not limited to the following actions, without SBA clearance or approval but subject to the restrictions and requirements in SOP 50 50 4A, Chapter 4, paragraphs 12 and 13, pp. 4-12 - 4-19, and SBA Policy Notice 5000-882. *Consequently, lenders/CDCs should not send actions within their unilateral authority to SBA. SBA will no longer process, record, or acknowledge such actions.*

- Correct obvious typographical errors.
- Provide payoff figures to borrowers.
- Modify financial statement requirements.
- Defer principal and/or interest payments.
- Release collateral up to cumulative value of 20% of original loan amount.
- Substitute collateral.
- Subordinate to third party senior lien.
- Change life or hazard insurance requirements.
- Adjust loan installment amounts.
- Make loans that do not adversely affect the collateral.
- Approve change in borrower's form of organization.
- Adjust management covenants.
- Accept prepayments.
- Extend initial disbursement period up to six months.

NOTE: Copies of Colson Reports no longer needed in District Office

Effective immediately, it is no longer necessary to send/fax a copy of your Colson 1502 report to our district office for tracking purposes. *All reports are still required to be sent to the Colson agency directly by the 5th business day of each month.*

SBA Lender Activity Report for March

LENDER NAME	LOCATION	#	AMOUNT
Wells Fargo Bank	Iowa	7	$510,000
Capital One	(Virginia)	6	$170,000
First American Bank	Fort Dodge	5	$480,000
Iowa Business Growth Co.	West DSM	4	$1,225,000
U.S. Bank	(Iowa)	4	$106,400
Black Hawk Co. Econ. Dev.	Waterloo	3	$326,000
Bank America	(Iowa)	2	$140,000
Bank Midwest	(Iowa)	2	$100,000
Cedar Rapids Bank & Trust	Cedar Rapids	2	$136,000
Citizens Savings Bank	Spillville	2	$480,000
Community State Bank	Ankeny	2	$1,290,000
Farmers State Bank	Marion	2	$236,000
First American Bank	Clive	2	$1,065,000
Hampton State Bank	Hampton	2	$88,200
Midwest Heritage Bank	Charlton	2	$57,000
Northwest Bank & Trust Co.	Davenport	2	$345,000
Northwoods State Bank	Mason City	2	$280,000
Peoples Bank	Rock Valley	2	$120,000
Peoples Bank	(Connecticut)	2	$18,500
American State Bank	Osceola	1	$100,000
Boone Bank & Trust	Boone	1	$40,000
Central State Bank	Muscatine	1	$120,000
Commercial Federal Bank	(Nebraska)	1	$105,000
Community Savings Bank	Robins	1	$40,000
Corp. for Econ. Dev.	Des Moines	1	$345,000
Dubuque Community CU	Dubuque	1	$101,700
ECIA Business Growth Inc.	DeWitt	1	$725,000
Exchange State Bank	Apple	1	$15,000
First Bank	West DSM	1	$366,700

LENDER NAME	LOCATION	#	AMOUNT
First Central State Bank	LeClaire	1	$117,000
First Nat'l Bank of Muscatine	Muscatine	1	$140,000
First National Bank	Ames	1	$90,000
First Nat'l Bank of Cedar Falls	Cedar Falls	1	$200,000
First State Bank Iowa	New Hampton	1	$46,000
Frontier Bank	Rock Rapids	1	$63,500
Great Western Bank	Clive	1	$140,000
Guthrie County St. Bank	Guthrie Center	1	$86,100
Hedrick Savings Bank	Hedrick	1	$101,000
Hills Bank & Trust Co.	Iowa City	1	$250,000
Innovative Bank	(California)	1	$5,000
Iowa State Bank	Des Moines	1	$76,000
Iowa State Bank	Sheldon	1	$200,000
Iowa State Bank & Trust Co.	Iowa City	1	$100,000
Liberty Bank, FSB	Iowa City	1	$56,000
Melvin Savings Bank	Melvin	1	$65,000
Nat'l City Bank of Michigan	(Illinois)	1	$26,000
NW Federal Savings	Spencer	1	$27,500
Peoples Savings Bank	Indianola	1	$84,000
Peoples Trust & Savings	Grand Junction	1	$620,400
Polk County Bank	Johnston	1	$100,000
Quad City Bank & Trust Co.	Bettendorf	1	$65,000
Siouxland Econ. Dev.	Sioux City	1	$571,000
State Central Bank	Fort Madison	1	$160,000
State Savings Bank	West DSM	1	$100,000
TSB Bank	Marshalltown	1	$103,500
United Bank of Iowa	Ida Grove	1	$9,000
West Bank	West DSM	1	$150,000

The following lenders in Iowa were participant lenders in the SBA's 504 loan program during the month of March.

LENDER NAME	LOCATION	#	AMOUNT
First Security State Bank	Cedar Falls	2	$167,000
First American Bank	Clive	1	$250,000
Iowa State Bank	Sheldon	1	$390,500
Wells Fargo Bank	Iowa)	1	$117,500
West Bank	West DSM	1	$875,000

LENDER NAME	LOCATION	#	AMOUNT
Lincoln Savings Bank	Waterloo	1	$167,500
First Central Bank	DeWitt	1	$272,500
Union Planters Bank NA	Waterloo	1	$63,000
Hills Bank & Trust	Mt. Vernon	1	$420,000