U.S. Small Business Administration

The Lender's Advantage

March 2009

Washington Metropolitan Area District Office
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www.sba.gov/localresources/dc

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Small Business Week '09
May 17 – 23, 2009

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American Recovery and Reinvestment Act

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") (P.L. 111-5). Section 501 of the Recovery Act authorizes SBA to reduce or eliminate certain fees on 7(a) and 504 loans. Section 502 of the Recovery Act authorizes SBA to guarantee up to 90 percent of a 7(a) loan except for SBA Express. SBA Express remains at a 50 percent guaranty.

7(a) Loan Guarantee Fee Eliminations: For 7(a) loans approved by SBA on or after February 17, 2009, SBA will temporarily eliminate the Small Business Act section 7(a)(18)(A) fees (upfront guaranty fees) for all eligible loans, including those made with higher SBA guarantees (up to 90%) as provided in section 502 of the Recovery Act. For eligible loans approved after February 17, 2009, the Agency will make funds available to refund payments for these fees. SBA expects to be able to begin issuing refunds by approximately May 1, 2009. If borrowers have already paid lenders for the fee on eligible loans, lenders must reimburse the borrowers from the SBA refund.

504 Development Company Program Fee Eliminations: For eligible loans approved through the Agency's section 504 Development Company Program on or after February 17, 2009, SBA will temporarily eliminate two program fees: 1) Third-Party Participation Fees; and 2) CDC Processing Fees. Consistent with the Recovery Act's temporary elimination of CDC Processing Fees, CDCs will no longer be allowed to collect deposits from small business applicants that would have gone towards payment of the CDC Processing Fee upon loan approval under 13 CFR 120.935. SBA will reimburse the CDCs for the waived CDC Processing Fees.

Guaranty Percentage and Loan Amount

As of the date of this Notice, a Lender may request up to a 90 percent guaranty for a 7(a) loan submitted under the following programs:

Loan Program	Maximum loan amount	Maximum guarantee amount
Standard 7(a)	$ 2,000,000	$ 1,500,000
CLP	$ 2,000,000	$ 1,500,000
PLP	$ 2,000,000	$ 1,500,000
Small/Rural Lender Advantage	$ 350,000	$ 315,000
Community Express	$ 250,000	$ 225,000
Patriot Express	$ 500,000	$ 450,000
Export Express	$ 250,000	$ 225,000
Gulf Opportunity	$ 150,000	$ 135,000

The Recovery Act did not change the maximum SBA guaranteed amount which remains at $1,500,000. Therefore, for those loan programs that have a maximum loan amount greater than $500,000 (Standard 7(a), CLP, and PLP), in order for the loan to receive a 90 percent guaranty, the loan amount cannot exceed $1,666,666 ($1,500,000 divided by 90 percent).

SAVE THE DATE!

The Lender's Quality Circle is back! The next meeting is scheduled for the morning of ***Tuesday April 7, 2009***. Look for more detailed information as to the time and location of the meeting, or contact a member of the Lender Quality Circle Steering Committee.

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SBA Revises Goodwill Lending Provisions in SOP

The U. S. Small Business Administration announced that it is accommodating concerns raised regarding the recently announced policy guidance on the financing of goodwill. SBA will consider loans for larger goodwill amounts on a case-by-case basis through August 31, 2009. The announced policy guidance originally allows SBA loans to be used to finance goodwill, but limits that financing to no more than half the loan amount, up to $250,000.

"We are aware of the concerns surrounding SBA limits to goodwill lending and are taking measured steps to address those concerns in a responsible manner," said SBA Acting Administrator Darryl K. Hairston. "SBA is committed to helping our lending partners finance small business, but access to capital must be balanced by our need to manage the risks in our portfolio and the implications those risks have for potential costs to the taxpayers."

"Goodwill" is the difference between what a buyer pays for an existing business and the book or fair market value of the assets of the business. Goodwill is one of the riskiest assets that can be financed, because it typically has no liquidation value in the event a loan defaults.

Until the new Standard Operating Procedures, or SOP, were issued for SBA loan programs last year, the previous guidance for goodwill was that sellers should finance it when a business was sold. However, as lenders increasingly used SBA-guaranteed loans to finance business sales, the agency issued more specific guidance, which was due to take effect on March 1, 2009.

The new guidance, issued February 6, 2009, allowed use of SBA-backed loans to finance goodwill up to a maximum of 50 percent of the loan amount, up to a maximum of $250,000.

After consideration of comments that were subsequently received, SBA decided to review loan applications that do not meet the guidance in the SOP on a case-by-case basis. SBA will use the next six months to study the types of transactions involving substantial goodwill and consider a revision of the current policy when the semi-annual update of SOP 50 10 is published in September of 2009.

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Treasury Actions to Improve TALF Program to Help Unclog Secondary Market for Small Business Loans

The U.S. Small Business Administration expressed continued support of the Federal Reserve Bank of New York and the Treasury Department as they unveiled new details of their program to help improve market conditions for asset-backed securities, including SBA-backed loans.

"We are pleased that terms for SBA loans are continuing to improve, and TALF is moving into the implementation stage where loans will be made," said SBA Acting Administrator Darryl K. Hairston. "SBA welcomes the recent announcement from TALF and supports its continued efforts to modify the terms to help unfreeze the secondary market for SBA loans, thus making it easier for our lending partners to make new loans to America's small businesses."

"Three specific changes should be especially helpful to the secondary market for SBA loans. The lower collateral requirements for pools with longer expected lives; the creation of a federal funds-based rate; and the reduction in spreads over the base should all combine to make SBA guarantees a more attractive asset class for investors," added Acting Administrator Hairston.

The Term Asset-Backed Securities Loan Facilities, or TALF, was announced in November 2008 to inject new life into a secondary market that had virtually ground to a halt in October, making it very difficult for lenders to sell loans they make – including SBA-backed loans – and use the proceeds to make more loans. TALF is intended to help unclog the secondary market for SBA loans by making funds available to investors and brokers to purchase loan pools.

About $4 billion in securities backed by SBA-guaranteed 7(a) loans are bought and sold in the secondary market each year, with the total outstanding amounting to about $15 billion. At present, an estimated $3 billion of that amount is essentially frozen thus hampering the ability of some of SBA's lending partners to make new SBA-backed loans.

The loans that investors will receive from TALF can be used to purchase these securities from brokers, which would inject much needed liquidity for lenders to be able to make new loans.

FREE Online Courses:

How to Win Customers in a Slowing Economy

How to Prepare a Business Plan

Disaster Recovery: Guide to SBA's Disaster Assistance Programs

Franchising Basics

Other Online Training Courses may be found on

http://www.sba.gov/services/training/onlinecourses/index.html

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For more information on SBA's loan programs please contact Dave Wiggs, Freddie Biddle, or Robert Carpenter on the number or email address provided on this page.

SBA U.S. Small Business Administration

THE LENDER'S ADVANTAGE

TOP FIVE LENDER RANKING BY CATEGORY
As of January 31, 2009

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LENDERS BY TOTAL DOLLARS	$ AMOUNT
1. BUSINESS FINANCE GROUP	$9,571,000
2. BRANCH BANKING & TRUST (BB&T)	$4,952,900
3. CHESAPEAKE BUSINESS FINANCE	$3,250,000
4. WILSHIRE STATE BANK	$3,065,000
5. SUNTRUST BANK	$2,846,400

COMMUNITY BANKS	YTD LOANS	$ AMOUNT
1. SONABANK, N.A.	8	$1,883,000
2. ACCESS NATIONAL BANK	3	$839,000
3. THE BUSINESS BANK	2	$325,000
4. HOWARD BANK	2	$400,000
5. THE ADAMS NATIONAL BANK	2	$275,000

REGIONAL BANKS	YTD LOANS	$ AMOUNT
1. SANDY SPRING BANK	5	$1,325,000
2. SOVEREIGN BANK	2	$150,000
3. CHEVY CHASE BANK, FSB	1	$275,000
4. FULTON BANK	1	$100,000
5. UNION TRUST BANK AND TRUST CO.	1	$100,000

NATIONAL BANKS & NON-BANK LENDERS	YTD LOANS	$ AMOUNT
1. BRANCH BANKING & TRUST (BB&T)	26	$4,952,900
2. SUPERIOR FINANCIAL GROUP	19	$185,000
3. SUNTRUST BANK	13	$2,846,400
4. M&T BANK	12	$550,000
5. INNOVATIVE BANK	9	$230,000

CERTIFIED DEVELOPMENT COMPANIES	YTD LOANS	$ AMOUNT
1. BUSINESS FINANCE GROUP	14	$9,571,000
2. CHESAPEAKE BUSINESS FINANCE	2	$3,250,000
3. MID-ATLANTIC BUSINESS FINANCE	2	$2,158,000

504 FIRST-TRUST LENDERS	YTD LOANS	$ AMOUNT
1. BANK OF AMERICA	3	$1,144,500
2. ACCESS NATIONAL BANK	2	$1,377,500
3. COMMERCEFIRST BANK	2	$679,398
4. SUNTRUST BANK	2	$608,500
5. OLD LINE BANK	1	$4,403,042

MICROLENDERS (MIC)	YTD LOANS	$ AMOUNT
1. LATINO ECONOMIC DEVELOPMENT CORP.	2	$8,000

NATIONAL BANK – Operates in multi-geographic regions.

REGIONAL BANK – Operates throughout an entire geographic region i.e., Wash Metro area and adjacent geographic areas.

COMMUNITY BANK – Includes all other banks which normally operate in smaller geographic territories than do National and Regional Banks.

CERTIFIED DEVELOPMENT COMPANIES (CDC) – Loan processing for the 504 Fixed-Asset Loan program.

MICRO LENDER (MIC) – Non-Profit Community Development Groups that provide loans up to $35,000.