

# SBA LENDER'S NEWSFLASH



## #09-09

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**THIS IS THE NEWS YOU'VE BEEN WAITING FOR--  
FEES ELIMINATED & 90% GUARANTEES**

We are very pleased to announce that as of March 16, 2009, SBA is authorized to eliminate certain fees on 7(a) and 504 loans as well as guarantee up to 90 percent of most 7(a) loans.

### Fee Eliminations

**7(a) Loan Guarantee Fee Eliminations:** For 7(a) loans approved by SBA on or after February 17, 2009, SBA will temporarily eliminate upfront guaranty fees. For loans approved between February 17, 2009 and March 16, 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.

Consistent with the prioritization for fee eliminations or reductions in the Recovery Act, the on-going guaranty fee set forth in section 7(a)(23) of the Small Business Act (this is the on-going guarantee fee paid by lender, currently 55 basis points) will continue to apply. In addition, SBA's ¼ point guaranty fee for loans with maturities of 12 months or less will continue to apply.

**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 (the 1/2 % fee paid by the lender) and 2) CDC Processing Fees (paid by the borrower).

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. SBA will reimburse the CDCs for the waived CDC Processing Fees.

SBA will not permit CDCs to cancel loans approved by SBA prior to February 17<sup>th</sup>, 2009 and resubmit them in order to qualify for the reimbursement of the processing fee. If the Participation Fee has already been paid to SBA on an eligible loan, SBA will refund the fee.

## **Guaranty Percentage and Loan Amount**

As of March 16, 2009, a Lender may request up to a 90 percent guaranty for a 7(a) loan submitted under SBA's most commonly used loan programs *except* SBAExpress. SBAExpress will continue to provide a 50% guaranty.

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, 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).

For loans greater than \$1,666,666, the maximum guaranty will be calculated as follows: \$1,500,000 (SBA guaranteed amount) divided by the loan amount rounded down to the second decimal. For example, if the loan amount is \$1,680,000, then the guaranty percentage would be \$1,500,000 divided by \$1,680,000, which equals 89.2857 percent, rounded down to 89.28 percent.

For loans to borrowers with existing SBA-guaranteed loans, the new loan will also have a guaranty percentage less than 90 percent when necessary to comply with the Small Business Act's limitation of no more than \$1,500,000 in guaranteed amount to one borrower (including affiliates).

## **Expiration**

The increased guaranty percentage of up to 90 percent and the elimination of the guarantee fees for 7(a) loans and 504 loans will be available until the aggregate dollar amount of 7(a) loans made under this authority exhausts the funds dedicated to that purpose. Depending on loan volume in the 7(a) program, SBA estimates that these provisions will be available through approximately December 31, 2009.

For more details on these changes, see [www.sba.gov/ne](http://www.sba.gov/ne), click on "Information Page for Lenders" and then on "Recovery Act" in order to view Policy Notice 5000-1097, "Implementation of Section 501 of the Recovery Act-Fee Elimination Provisions" and Policy Notice 5000-1098, "Implementation of Section 502 of the Recovery Act- Up to a 90 Percent Guaranty on 7(a) Loans." These will be up shortly.

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