



Updated SOP 50 10 5(E)

The latest version of SBA's Lender and Development Company Loan Programs SOP went into effect on June 1, 2012. This version, SOP 50 10 5(E), applies to all applications received by SBA on or after this date. Many of the changes are in response to questions and comments received by the SBA from lenders.

One major change contained in this version is the revamping of the Small Loan Advantage program. Small Loan Advantage (SLA) is a delivery method for term loans (not revolving lines) up to \$350,000 that utilizes automated process through E-Tran to pre-screen for a credit score to determine whether or not an application is eligible for submission under SLA. Small Loan Advantage is now open to both delegated and non-delegated lenders who have a signed 750 Agreement with SBA. Under the revised program, the only SBA forms required are 1919 and 1920. Like all SBA loans, SLA requires thorough and complete credit analysis to ensure repayment ability from the cash flow of the business. The SLA program's collateral requirements mirror SBA Express, with the addition that lenders at a minimum must obtain a lien on business assets of the applicant. If a loan is over \$250,000 and secured by commercial real estate, then lenders must comply with Standard 7(a) appraisal requirements.

The updated SOP clarifies that if the Operating Company (OC) is a co-borrower with the Eligible Passive Company (EPC), part of the loan proceeds of a 7(a) loan may be used for working capital or the purchase of other assets for use by the OC, including the purchase of stock or intangible assets.

Refinancing debt in the personal name of business owners, for example a HELOC or credit card debt used for business purposes, is now allowed.

A change to language in the updated SOP clarifies that short-term revolving debt is eligible for refinance under Working Capital CAPLine (WCC) and that short-term debt must be terminated once it is paid off with the WCC. The borrower must have sufficient borrowing base to support the WCC in addition to its other existing short-term debt. In the case of refinancing of same institution SBA guaranteed debt (for example a SBA Express loan) the lender's exposure to the applicant will not be reduced.

The new SOP attempts to clarify the structures allowed for changes of ownership. It makes clearer that the applicant is the business and no SBA loans can be made to individuals.

Limitations on fees that lenders may charge have been modified. Fees must be reasonable and customary for the services actually performed and they must be consistent with fees charged on the lender's similarly-sized non-SBA guaranteed commercial loans. Packaging and other fees may be based on a percentage of the loan amount but for loans of \$50,000 or less may not exceed three percent and for loans over \$50,000, may not exceed two percent on the first \$1 million and an additional ¼ percent on amounts over \$1 million, with a maximum fee of \$30,000. A standard fee charged to all small business applicants remains unacceptable. The SOP allows the lender to be reimbursed by applicant for direct costs, including reasonable overhead, of legal services performed by lender's in house counsel.

The next version, SOP 50 10 5(F), will be released in September and will take effect on October 1, 2012.

MBL Holiday Closures

Independence Day
July 4th, 2012

SBA BASE RATES JUNE 2012

WSJ Prime	3.25%*
1-Month LIBOR Base Rate	3.24%*
SBA Fixed Base Rate	4.58%*
SBA Peg Rate	2.25**

*Effective for the first business day of June 2012

**Effective for the period between April 1, 2012 to June 30, 2012

The MBL Mission:

"To aid, counsel, and assist our participating credit unions and the member businesses they serve"

Lender Certification Courses Continue

This summer MBL will continue to offer our popular series of lender certification program courses. The Certified Business Lender program's curriculum will develop critical business lending skills and enhance lenders' abilities to serve the credit union's business members. With each course completed all credit unions will earn a 1% patronage discount on hourly loan processing fees, up to a 15% discount.

June 25th – 29th, 2012

1. Marketing to Small Businesses/Ancillary Products & Services for Small Businesses/ Effective Loan Information Gathering & Application Processing
2. Business Development Officer Selection, Compensation, Development & Evaluation
3. Credit Union Branch Personnel Development, Evaluation & Compensation
4. Risk Assessment-Part I: Basic Ratios & Analysis
5. Risk Assessment-Part II: Advanced Analysis
6. Collateral Evaluation: Appraisals & Environmental Reviews

July 16th – 20th, 2012

7. Loan Agreements/Loan Structuring
8. Loan Documentation & Closing
9. Rules & Regulations: SBA Eligibility Rules & NCUA Regulations for MBL's
10. Asset Liability Management & Secondary Markets
11. Portfolio Management/Servicing
12. Problem Loans: Business Turnaround, Recovery, Bankruptcy/Litigation
13. Lender Regulatory Compliance, Oversight & Review

TBA

14. Board & Member Business Lending Committee Oversight
15. Managing and Achieving Member Business Lending Objectives

Course fees are assessed on the organizational level, not a per person basis. Therefore, each credit union can register an unlimited number of participants. Please contact Bethanie Werner at 801-545-7922 or bwerner@mblllc.com to schedule training for your team.

CU's Resiliency Stronger Than Banks

When it comes to weathering economic downturns, credit unions may have the advantage over banks. That is according to a new report from the Feline Research Institute titled "Commercial Lending During the Crisis: Credit Unions vs. Banks." This report revealed that credit unions' aggregate loan portfolios appeared to be about 25 percent less sensitive to macroeconomic shocks than those of banks. Among the findings, from 1996 to present, credit union commercial loan growth has been steady and has withstood the last two recessions, according to David Smith, author of the report and an associate professor and dean at Pepperdine University. Commercial loan growth rates for banks turned negative following the recessions beginning in 2001 and 2007, but credit union growth rates remained positive during both periods.

In 2011, the SBA published a report on how credit unions filled a void in business lending over a 24-year period as banks scaled back. Smith said a nationwide survey of 7,500 small businesses in the fall of 2011 revealed limited access to capital was the number one obstacle to them creating new jobs. Of the 1,667 small businesses that sought bank loans over the last 12 months, less than half were successful, according to data in the report. Smith also cited CUNA data that showed from December 2007 to September 2011, business lending was down 2.2 percent for banks yet increased 43.2 percent for credit unions.

Monthly Training Seminar

MBL will offer an online seminar on the recent changes to the SOP 50 10 5(E) in June. The seminar is part of MBL's free monthly seminar series and is open to all credit union business lending staff.

SOP 50 10 5(E)

Wednesday, June 13th

2:00 – 3:00 p.m. (MDT)

Session number: 806 105 733

Session password: Wednesday1

A link to the training will be provided in a separate email.

For more information contact Sarah Hettinger at (801) 545-7958 or SHettinger@mblllc.com.

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