



SBA to Expand Access to Loan Programs

Borrowers and lenders of loans backed by the U.S. Small Business Administration will have greater access to capital and less paper work as a result of a proposed regulation aimed at streamlining the SBA application process, while also strengthening oversight and the integrity of the agency's loan programs.

"Streamlining and simplifying has been a key focus of our agency over the last few years. The changes are the latest steps to reduce paperwork burden, with our eye on the larger goal of expanding access to capital and giving entrepreneurs and small business owners the financial resources to grow and create jobs," said SBA administrator Karen Mills. "Specifically, these proposed regulations will provide greater access to capital through our two largest loan programs, while also reducing risk to taxpayer dollars."

The SBA is proposing the new measures after extensive consultations with lenders and borrowers to identify the greatest challenges they face and find ways to reduce barriers to making and accessing loans, while still maintaining strict oversight.

Among the proposed changes are:

Eliminating the Personal Resource Test: A borrower will no longer be required to obtain a maximum level of personal finance resources for a 7(a) or 504 loan. This will streamline the loan process by eliminating complicated regulations used to determine the amount of collateral required.

Revising the Rule of Affiliations: Revising this rule will open access to SBA loans to businesses that, under current rules, would not qualify as a small business under SBA's size

standards by virtue of their association with other companies. It also would streamline 504 loan applications and reduce paperwork requirements for 504 and 7(a) loan applications.

Eliminating the Nine-Month Rule for the 504 Loan Program: Eliminating the Nine-Month rule removes a restriction that limits a business to include in its 504 project only expenses incurred nine months prior to submitting the loan application. The new rule would allow inclusion of expenses incurred at any time (e.g., projects put on hold for more than nine months due to a natural disaster).

Increasing Accountability of the Certified Development Companies' Board of Directors while Eliminating Requirements for Membership: Refocusing CDC corporate governance requirements will reinforce the importance of board accountability for CDC oversight for the 504 loan program and set in place measures to strengthen oversight in order to maintain program integrity.

Source: SBA News Release, Release Number 13-10, dated 2/26/2013

REMINDER

SOP 50 57 was effective as of March 1, 2013. The SOP 50 57 covers both loan servicing (previously covered by SOP 50 50) and loan liquidations (previously covered by SOP 50 51). It does not cover 504 loans. A new SOP covering 504 loan servicing and liquidation is expected to be issued next year. Until that time, SOP 50 50 4 and SOP 50 51 3 will remain in effect to the extent that they apply to 504 loans.

Monthly Training Seminar

MBL will offer an online seminar on March 27, 2013. Self storage facilities and mini warehouses will be discussed. The seminar is part of MBL's free monthly seminar series and is open to all credit union business lending staff.

Self Storage Facilities & Mini Warehouses

Wednesday, March 27, 2013

2:00 – 3:00 p.m. (MDT)

Session number: 281 281 455

Session password: 03272013

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

SBA BASE RATES MARCH 2013

WSJ Prime	3.25%*
1-Month LIBOR Base Rate	3.20%*
SBA Fixed Base Rate	4.63%*
SBA Peg Rate	2.25%**

*Effective for the first business day of March 2013

**Effective for the period between January 1, 2013 to March 31, 2013

Member Business Lending Bill Re-introduced

The congressional effort to raise the member business lending cap has begun again.

Rep. Ed Royce (R-Calif.) announced February 14th he has re-introduced legislation that would increase the MBL cap for credit unions to 27.5% of assets.

H.R. 688, co-sponsored by Rep. Carolyn McCarthy, D-N.Y., has been described by credit union trade associations as having very similar language to last year's House version, H.R. 1418. Royce and McCarthy have already recruited 34 additional co-sponsors for the bill, according to an announcement from Royce.

"This legislation will not only allow credit unions to lend an additional \$13 billion to small businesses, but will create 140,000 new jobs in the process," Royce said. "With a stagnant job market and unemployment rising to 7.9 percent, the Credit Union Small Business Jobs Creation Act is an important step in getting Americans back to work."

To qualify for the higher cap, a credit union must be well capitalized, have a history of member business lending experience, be operating near the current cap of 12.5% of assets for at least one year, and receive approval from the NCUA.

"Credit unions understand that in order for the economy to fully recover, small businesses need access to credit, which will help their businesses grow," CUNA President/CEO Bill Cheney wrote Royce and McCarthy in anticipations of the bill's reintroduction.

"Credit unions have capital to lend, a history of prudent and safe small business lending, and a mission to help provide access to credit to their members—including their small business-owning members. They just need Congress to enact your legislation," Cheney said in his letter.

NAFCU President/CEO Fred Becker echoed the sentiment, thanking the two for introducing the bill and calling it "a jobs bill, plain and simple" that would help invigorate the nation's economy by providing lending to small businesses.

Both trades said they expect to face the same banker opposition on Capitol Hill that has stymied efforts to raise the cap for at least 10 years.

Source: Credit Union Times, "Congress Gets Member Business Lending Bill Again", dated 2/14/2013

SBA Administrator Announces Resignation

On February 11 Karen Mills, the administrator of the Small Business Administration, announced her resignation.

Ms. Mills became increasingly visible as a messenger of the Obama administration, which has been eager to present itself as relentlessly pursuing an entrepreneurial agenda. She helped lead the administration's Startup America program, which seeks to foster entrepreneurship through initiatives by the government and commitments from business leaders and private institutions. In January 2012, President Obama elevated the position of the agency's administrator to his cabinet.

In a statement from the White House, Mr. Obama thanked Ms. Mills for her service. "I asked Karen to lead the Small Business Administration because I knew she had the skills and experience to help America's small businesses recover from the worst economic crisis in generations—and that's exactly what she's done," he said. "Because of Karen's hard work and dedication, our small businesses are better positioned to create jobs and our entire economy is stronger."

The administrator, in turn, praised her staff. "Four years ago, when I arrived at the SBA, America's small businesses and entrepreneurs were struggling in the face of the worst economic environment since the great depression—and a banking sector that was frozen," Ms. Mills wrote in a memo. "Together, we rolled up our sleeves and went to work."

Over the last four years, SBA supported more than \$106 billion in lending to more than 193,000 small businesses and entrepreneurs. This includes two record years of delivering over \$30 billion annually in loan guarantees. Today the SBA is using the streamlined lending programs and products to get capital to communities that are still struggling and to fill market gaps.

She will remain at the agency's helm until the Senate confirms her successor. A White House spokesman would not say when President Obama would name the new candidate.

Ms. Mills, who was a venture capitalist before she joined the agency in 2009, did not say what she planned to do next.

Source: NYTimes.com, "S.B.A. Administrator Announces Resignation", dated 2/11/2013

The MBL Mission:

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