

## Updated SOP 50 10 5(D)

The latest revision of the SBA's Lender and Development Company Loan Programs SOP became effective on October 1, 2011. This version, SOP 50 10 5(D), 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.

The Small Business Jobs Act of 2010 increased the maximum 7(a) loan amount to \$5 million from \$2 million and the maximum aggregate guaranty increased to \$3.75 million from \$1.5 million. The Export Express program has changed from a pilot loan program to a permanent program and the Small Loan Advantage program has also been made permanent. Community Advantage and Dealer Floor Plan programs were added to the list of Pilot Programs. All these items were added to the updated SOP.

CAPLines have been modified to make them more attractive to borrowers. The intention is to make them more user friendly and provide an alternative for larger lines of credit. Standard Asset-Based CAPLines name has changed to Working Capital CAPLines. Working Capital CAPLines and Contract CAPLines have been modified to more closely align with existing practices of the lender's own products. PLP lenders can now make CAPLine loans under their delegated authority. Delegated lenders are also allowed to use the abbreviated application forms originally designed for the SBA Express program.

The updated SOP states that life insurance is no longer necessary, however it also states that if loss on a loan is due to the death of the owner, the lender will be responsible for the loss. It specifies that the lender must determine if repayment is dependent on an owner's active participation in the business. If so, the lender must require life insurance unless deemed not necessary because of adequacy of collateral and/or presence of secondary sources of repayment. Lenders are allowed to use an escrow account for payment of premiums on a policy.

The SOP now defines packaging services as assisting the applicant with completing the application, preparing a

business plan, preparing cash flow projections, and preparing other documents related to the application. It defines other services to include consulting as to what type of financing is needed and broker or referral fees. It specifies that a standard fee charged to all applicants is not acceptable. The applicant must now be notified prior to the service provided that they do not need to pay for unwanted services. Lenders are prohibited from charging the borrower the lender's costs for underwriting the loan including completion by the lender of SBA application forms and lender's analysis. The update includes prohibition that "if the lender pays a third party to assist the lender with the completion of the application forms and the analysis, the lender cannot pass this cost onto the small business applicant."

There was some clarification in the SOP in regard to appraisals. A requirement that an appraisal identify the lender as the "client and/or intended user of the appraisal" as those terms are defined in USPAP was added. The SOP now specifies that the lender may not use an appraisal prepared for the borrower. It also specifies that in no case may a lender rely on an appraisal prepared more than 12 months prior to the date of application.

The SOP specifically excludes from eligible refinancing any debt in the personal name of the owners. There is a limited exception to this rule; credit card debt in the personal name of the owners if used for business purposes is eligible for refinancing. The practical effect of this change will be that HELOC debt and other personal debt, which had been eligible with proper documentation, will no longer be eligible.

The policy was modified to allow the lender to change the initial Note rate on a loan before disbursement. This includes changing the base rate, spread over base rate or from a fixed to variable or vice versa. The new rate may not exceed the max allowable rate at the time of application. After a loan is disbursed, on a variable rate loan, the lender may change the base rate or spread over base rate. For any rate change the lender must obtain borrowers written consent to change that rate and notify CLSC of the change or make change through E-Tran Servicing.

### The MBL Mission:

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

## SBA BASE RATES OCTOBER 2011

WSJ Prime	3.25%*
1-Month LIBOR Base Rate	3.24%*
SBA Fixed Base Rate	4.84%*
SBA Peg Rate	3.125%**

\*Effective for the first business day of October 2011

\*\*Effective for the period between October 1, 2011 and December 31, 2011

## Monthly Training Seminar

In October MBL will offer a seminar on Equity Injection and a SBA SOP Q&A. The seminar is part of MBL's free monthly seminar series, and is open to all credit union business lending staff. The first portion of the session will cover the equity injection requirements as set forth by SBA. The second portion of the session will be an open forum Q&A. Please bring your questions about the latest revision to SBA's 50105(D).

### Equity Injection/SBA SOP Q&A

Wednesday, October 19<sup>th</sup>

2:00 – 3:00 p.m. (MDT)

Session number: 800 507 604

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](mailto:SHettinger@mblllc.com).

## MBL Holiday Closures

**Columbus Day**  
**October 10, 2011**

**Thanksgiving Day**  
**November 24, 2011**

# MBL Annual Meeting

Monday, October 17, 2011

Location: Grand America Hotel in  
Salt Lake City, Utah

Please make plans now to join with MBL to discuss the 2012 Business Plan and the 2012-2015 Strategic Plan

It is very important for all member credit unions to attend and help determine the course for Member Business Lending

Please RSVP to Sarah Hettinger at [SHettinger@mblllc.com](mailto:SHettinger@mblllc.com) or 801-545-7958

## SBA Express Loan Limits Revert to \$350,000

The temporary increase of the maximum SBA Express loan size of \$1 million mandated within the 2010 Small Business Jobs Act expired on September 26, 2011.

No new SBA Express loans will be approved for more than the permanent maximum of \$350,000. An SBA Express loan that was approved during the period covered by the Jobs Act (9/27/2010 to 9/26/2011) may not be increased beyond the approved amount.

Lenders can extend the maturity of SBA Express loans up to ten years if it will aid in the orderly repayment of the loan. This allowance applies to all SBA Express loans including those that were approved during the period covered by the Jobs Act.

SBA Express loans processed under the Jobs Act may have had a term of 12 months to avoid paying the higher guarantee fee. These loans can be extended beyond 12 months by paying the full guarantee fee.

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