



Office of Capital Access  
7(a) Monthly Call  
Wednesday, October 18<sup>th</sup>, 2017



Kandace Zelaya  
Attorney  
OGC -DFL&LO

# Franchise

## SBA Information Notice 5000 -17009

For loans processed through December 31, 2017:  
SBA Lenders must continue to follow the franchise review procedures set forth in SOP 50 10 5(I) and SBA Policy Notice 5000-1941 (effective 2-14-2017), and should **now** contact [franchise@sba.gov](mailto:franchise@sba.gov) to obtain an SBA Franchise Identifier Code

# Franchise

**SBA Information Notice 5000 -17009**

**effective 1/1/2018**

**Coming Soon!**

**SBA Franchise Directory**

Lenders and CDC's will no longer have to review  
Franchise or other brand documentation for  
affiliation or eligibility

# Franchise

## SBA Information Notice 5000 -17009

Coming Soon!

Annual Certification from Franchisor  
Submission of Documentation to SBA  
Post Approval Documentation

New Email address for all Franchise requests:

[Franchise@sba.gov](mailto:Franchise@sba.gov)



Robert Carpenter  
Acting 7a Chief  
Office of Financial Assistance

# NEW SOP

[SBA Information Notice 5000-17008](#)

[SOP 50 10 5 \(J\)](#)

**Please Note:**

**Only One (1) SOP will be posted!**

**Due to the amount of additions, relocations, and deletions**

**it is impossible to track changes**

# SOP 50 10 5 (J) Subpart B

## Chapter 2

- Eliminated duplicative language on Eligibility
- Added guidance on affiliation with management agreements
- Revised Franchise Procedures
- Updated 912 Procedures
- Consumer and marketing cooperatives now eligible
- Revised procedures on Prurient Sexual material
- Added guidance on CAIVRS
- Updated eligibility of non –US citizens
- Added EPC change of ownership



# SOP 50 10 5 (J) Subpart B

## Chapter 2 (cont.)

- Clarified use of proceeds for farm enterprises
- Revised policies on debt refinancing
- Clarified change of ownership with ESOPs or Trusts
- Updated use of proceeds with Export Express
- Expanded guidance on collateral from Historic Properties
- Increased percentage of land purchase for Builders Caplines

# SOP 50 10 5 (J) Subpart B

## Chapter 3

- ❑ Clarified max guaranty amounts for 7a and 504 loans
- ❑ Now requires SBA Express LOC to include a term-out period
- ❑ Clarified EWCP maturities for Single Transaction-Specific loans
- ❑ Clarified Note terms for variable interest rate loans
- ❑ Revised the guidance guaranty fee payments and refunds
- ❑ Consolidated and simplified the guidance on the fees
- ❑ Clarified allowable fees for packaging and other services.
- ❑ Updated the guidance on disclosure of fees and Lender expenses
- ❑ Updated guidance on Agents, including Lender Service Providers

# SOP 50 10 5 (J) Subpart B

## Chapter 4

- ❑ Clarified Creditworthiness/Credit Underwriting requirements
- ❑ Added minimum equity requirements for certain 7(a) loans
- ❑ Removed 25% equity injection when intangibles exceed \$500,000
- ❑ Clarified that Lenders must consider seller debt as debt in all applications
- ❑ Expanded EWCP credit underwriting standards.
- ❑ Provided direction loans processed using delegated authority, may require a personal guaranty, regardless of ownership interest
- ❑ Updated EWCP collateral requirements.
- ❑ Updated environmental policy to reflect current federal requirements
- ❑ added guidance related to the release of rights to indemnification from

# SOP 50 10 5 (J) Subpart B

## Chapter 5

- ❑ Relocated Insurance Requirements to Chapter 4
- ❑ Relocated Assignment of Lease & Landlord's Waiver to Chapter 4

## Chapter 6

- ❑ Reorganized the contents of the Lender's application for guaranty to emphasize in **bold text** the documents that are required to be submitted to the Loan Guaranty Processing Center (LGPC) with the Lender's application and indicating in the non-bold text the documents that must be maintained in the Lender's file
- ❑ Changed standard for business financial statements to be dated within 120 days of submission to SBA

# SOP 50 10 5 (J) Subpart B

## Chapter 7

- ❑ Reorganized the guidance for Post-Approval/Pre-Disbursement requests
- ❑ Expanded the list of actions that do not require prior approval by SBA
- ❑ Added guidance on credit reporting agencies
- ❑ Added guidance that SBA and the PLP-EWCP lender may determine certain requirements for foreign accounts receivable, including advance rates and/or use of control accounts for asset based EWCP loans

# SOP 50 10 5 (J) Subpart B

## Chapter 8

- Added guidance on selling loans in the Secondary Market
- Added the process for portfolio transfers and loan participations
- Added the process for obtaining SBA's prior written consent to secured credit and SBA securitization transactions

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# Office of Financial Assistance, 504 Branch

Babak Hosseini

Finance and Loan Specialist

&

Kim Chuday

Financial Analyst

# 50 10 5 (J) Subpart C

Case-by-case Exceptions – Now included in the SOP, Case-by-case exceptions no longer go through District offices. They are only submitted to SLPC. All other conditions of 13 CFR 120.839 apply.



# 50 10 5 (J) Subpart C

## ❑ **Special Purpose Property Updates**

Effective January 1, 2018, SBA require 15% for the first special purpose property project to a small business borrower, and 20% equity injection for each subsequent special purpose property project to the same borrower.

If the borrower had a prior special purpose property funded prior to January 1, 2018 with a 15% equity injection, then their subsequent 504 loan requests for special purpose properties will require 20% equity injection.

# 50 10 5 (J) Subpart C

## ❑ **Limit on Energy Public Policy Projects**

Energy Public Policy Projects (EPP) are now limited to no more than \$16.5 million in the aggregate per borrower

If a small business borrower already has more than \$16.5 million in 504 EPP loans funded prior to January 1, 2018, they are ineligible for further 504 loan applications under this public policy. If the small business borrower has not reached the maximum of \$16.5 million, it does not mean that each EPP is automatically eligible.

Also, SLPC may recommend that a borrower be eligible for less than \$16.5 million in EPP loans based on their underwriting analysis.

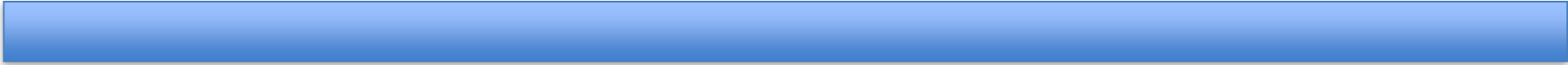
# 50 10 5 (J) Subpart C

## ❑ **504 Refinance Program Updates**

CDCs had concerns that the nomenclature in the last policy update of the 504 Debt Refinance was confused.

SBA has removed the terms “Other Secured Debt” and “Business Operating Expenses”. In our current SOP, we have reverted to only using our previously defined terms of “Qualified Debt” and “Eligible Business Expenses”.

The cap on Eligible Business was reduced from 25% to 20%.



John M. Wade  
Chief, Secondary Markets Division  
U.S. Small Business Administration

# Secondary Market

## Regulation Change

This change involves the pass through of principal payments to Registered Holders of Pool Certificates resulting from Pool loan prepayments. For more information please see:

<https://www.gpo.gov/fdsys/pkg/FR-2017-10-16/pdf/2017-22466.pdf>



Michelle Genovese  
Financial Analyst  
Office of Capital Access

# Forms

Effective January 1, 2018

1919- Borrower Information Form

1920-Lenders Application for Loan Guaranty

2237 -7(a) Loan Post Approval Action Checklist

1971- Religious Eligibility Worksheet

2449- Community Advantage Addendum

# 4506-T

## [SBA Information Notice 5000-17010](#)

SBA Seal Unnecessary

Refer to IVES

Make sure Lender is sending to Correct fax #

IRS Contacts:

Roxanne Jones at (801) 620-6750 email [Roxanne.Jones@irs.gov](mailto:Roxanne.Jones@irs.gov),  
or

Mary Ray at (816) 499-4532, email [Mary.R.Ray@irs.gov](mailto:Mary.R.Ray@irs.gov),



# Express Bridge Loans

\$25,000 Unsecured Disaster Bridge Loan with expedited processing from existing Express lenders only. Lender must obtain:

SBA credit score of 130 issued by ETRAN

Personal Credit Report consistent w/ lenders policy

4506-T for verification of filing

**Notice coming soon!**

# Disaster Contacts

Disaster Survivors that have filed an Electric Loan Application (ELA) and they have a user name and password, here's the link:

<https://disasterloan.sba.gov/ela/Account/Login>

Disaster Customer Service can also be reached at:

1-800-659-2955 or [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov) for any Disaster related questions.

# Website

- Any website issues and corrections from the field offices should go to [websupport@sba.gov](mailto:websupport@sba.gov). The Digital Services team will then coordinate with the appropriate program office before any changes are made.
- Any questions on specific 7(a) or 504 or Secondary Market Forms should come to OFA.

# New Website



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[Business Guide](#) [Funding Programs](#) [Contracting](#) [Learning Center](#) [Local Assistance](#) [About SBA](#)

[Back to 7\(a\) loan program](#)

## 7(a) loan program

[Types of 7\(a\) loans](#)

[Community Advantage loans](#)

**[Operate as a 7\(a\) lender](#)**

[Secondary market](#)

[Terms, conditions, and eligibility](#)

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## Operate as a 7(a) lender

The Small Business Administration (SBA) has streamlined the lending process for its lenders. Review the major activities you regularly perform as a lender in the 7(a) program and the SBA tools you use.

<https://www.sba.gov/partners/lenders/7a-loan-program/operate-7a-lender>