

WELCOME

Office of Capital Access

Monthly LRS Call

April 19, 2017



Bill Manger

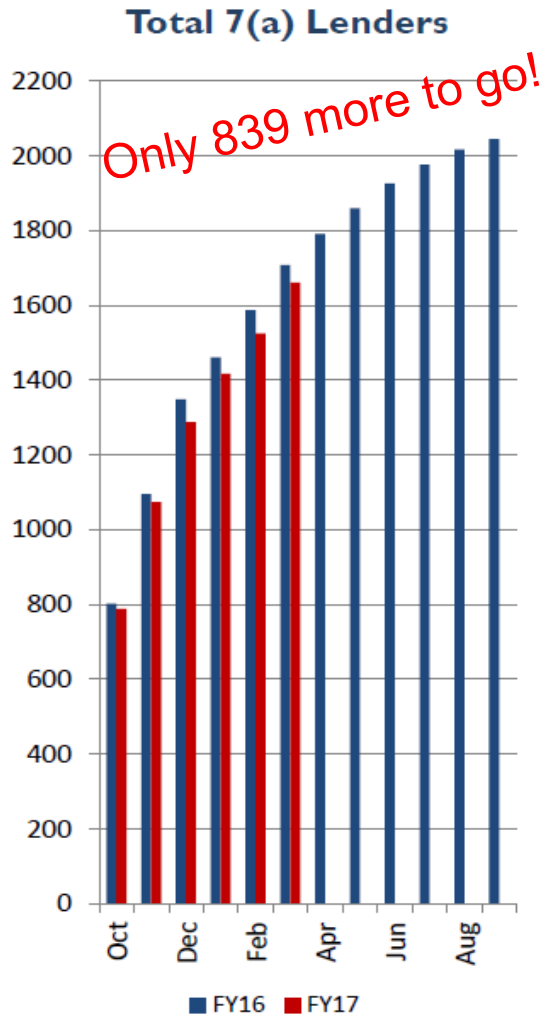
Associate Administrator

Office of Capital Access

U.S. Small Business Administration

Email: william.manger@sba.gov

Agency Goal – New Lenders



Alaska (1)
 Alabama (1)
 Arkansas (2)
 Arizona (1)
 California (5)
 Colorado (1)
 Florida (3)
 Georgia (6)
 Iowa (4)
 Indiana (3)
 Illinois (5)
 Kansas (5)
 Kentucky (1)
 Louisiana (3)
 Maryland (2)
 Maine (1)
Michigan (8)
Minnesota (11)

Missouri (8)
 Mississippi (1)
 North Carolina (3)
 North Dakota (4)
 Nebraska (4)
 New Jersey (1)
 New York (7)
 Ohio (4)
 Oklahoma (1)
 Oregon (1)
 Pennsylvania (1)
 South Carolina (1)
 Tennessee (1)
Texas (13)
 Utah (1)
 Virginia (2)

South Dakota (2)
 Washington (3)
Wisconsin (10)
 West Virginia (1)
 Wyoming (1)
 Massachusetts (2)

Thank you to all
 for bringing
 onboard
 a new Lender or
 13!



John Miller

Deputy Associate Administrator

Office of Capital Access

U.S. Small Business Administration

Email: john.a.miller@sba.gov

OFA Updates



Michelle Genovese
Financial Analyst
202-401-8282

Michelle.genovese@sba.gov

Bob Carpenter
Acting Chief, 7(a) Policy and Program
202-205-7654

Robert.carpenter@sba.gov

1919 & 1920 Forms

The Forms 1919 and 1920 are currently expired and are going through the final clearance process.

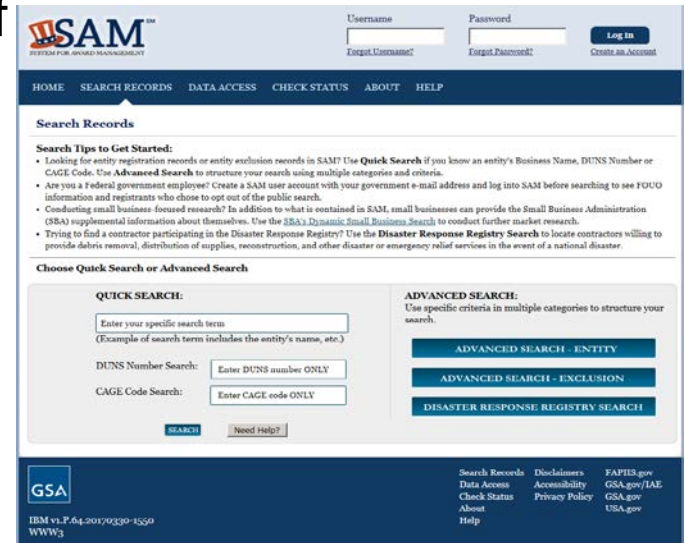
Please instruct Lenders to continue to use the current Forms until the new updated Form 1919 and 1920 are approved by OMB and published.

Debarment List

The SOP only indicates the employees of the lenders and the agents acting on behalf of the lender or applicant need to be checked for debarment or suspension through www.sam.gov

Page 5 of the 1919 indicates the applicant must certify that they have not been debarred or suspended.

By signing the application, Applicants have indicated everything they say is true and accurate. This could result in fines and or jail if submitted knowingly false information. The lender is not required to check sam.gov for applicants, however, the checks are free!



The screenshot shows the SAM.gov website interface. At the top, there is a navigation bar with the SAM logo and links for HOME, SEARCH RECORDS, DATA ACCESS, CHECK STATUS, ABOUT, and HELP. Below the navigation bar, there is a search section titled "Search Records" with "Search Tips to Get Started" and "Choose Quick Search or Advanced Search" options. The "QUICK SEARCH:" section includes input fields for "Enter your specific search term", "DUNS Number Search:", and "CAGE Code Search:". The "ADVANCED SEARCH:" section includes buttons for "ADVANCED SEARCH - ENTITY", "ADVANCED SEARCH - EXCLUSION", and "DISASTER RESPONSE REGISTRY SEARCH". At the bottom, there is a footer with the GSA logo, IBM P.O. Box 20170330-1350 WWW2, and links for Search Records, Data Access, Check Status, About, Help, Disclaimers, Accountability, Privacy Policy, and FAFIS.gov.

Franchise

For franchise systems not currently listed in E-Tran that need to be added, the lender must provide to SBA a copy of the first few pages of the Franchisor's Franchise Disclosure Document (FDD) which should include the following information:

1. The legal name of the franchisor;
2. The "DBA" name of the franchise system;
3. The "Issuance Date" on the FDD (this is an FTC requirement); and
4. The State of Organization of the Franchisor

Please Email to FranchiseFY2017@sba.gov or to the Acting Chief, 7(a) Loan Program at robert.carpenter@sba.gov.

Rates

Marybeth Kerrigan

Financial Analyst

Mary.kerrigan@sba.gov

Phone: 202-205-7552

Interest Rates

Changes in Prime Rate since 2008:

Dec 2015	Increase	0.25%
Dec 2016	Increase	0.25%
Mar 2017	Increase	0.25%

Rules on Variable Interest Rate Loans:

- SOP 50 10 5 (I), Subpart B, Chapter 3, Paragraph (IV)(F)
- Date of first rate adjustment must be in Note
- Notes for loans to be sold in Secondary Market will not be accepted without rate adjustment date and will be strictly enforced starting May 1st.

Interest Rates

SOP 50 10 5 (I), Subpart B, Chapter 3, Paragraph (IV)(F)

2. Variable rate loans—the lender must include the following information in the Note:

- a) Identification of the rate being used as the base rate;
- b) The publication in which the designated base rate appears regularly (e.g. Wall Street Journal or the Federal Register if using the SBA Optional Peg Rate);
- c) The permanent percentage spread to be added to the base rate;
- d) The initial interest rate of the loan (from disbursement to first adjustment);
- e) The date of the first rate adjustment; and
- f) The frequency of rate adjustment.

Interest Rates

There are two ways to meet the requirement for the date of the first rate adjustment:

1. Lender can put the exact date of the first rate adjustment in the Note;
2. Lender can put language in the note that clearly defines the first rate adjustment date (e.g. beginning with the first calendar quarter following the initial disbursement [or date of the Note])
 - a. Lender should continue to include things like “the interest rate will be adjusted every calendar quarter (the “change period”)” and “Lender will adjust the interest rate on the first calendar day of each change period.”

The language must define if there is a delay and whether or not the lender is interpreting “may occur” as not mandatory (i.e. must) and is tying the first adjustment to Note date rather than initial (first) disbursement.

Interest Rates

6 elements are necessary for constructing a variable interest rate SBA Note.

When placed in the Note, these elements disclose all terms and conditions of a loan to a small business borrower.

We have focused our attention on the importance of disclosing the date of first rate adjustment and would like to re-inforce that this element be present in SBA Notes.

If missing from a Note and presented for sale in the Secondary Market after May 1st, SBA and the FTA will require a loan modification signed by the borrower acknowledging the date when the variable interest rate will adjust.

OFPO

Greg Prichard

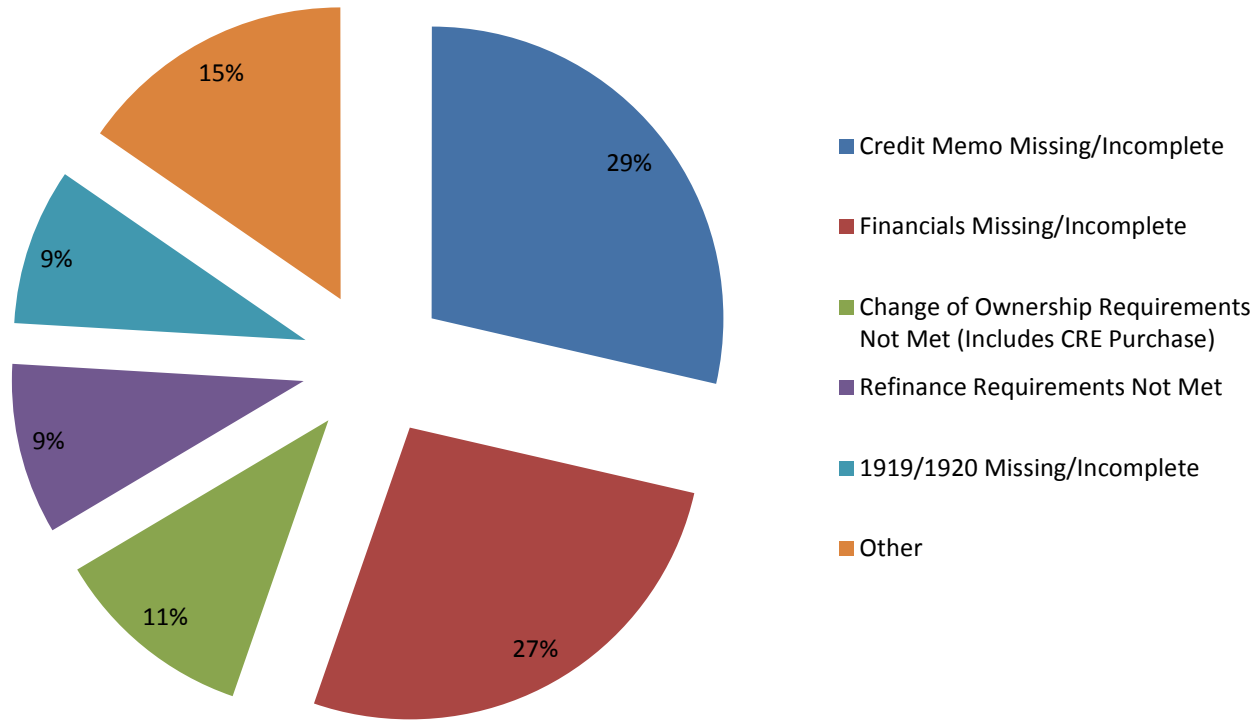
Acting Deputy Director

LGPC

Gregory.prichard@sba.gov

916-735-1990

LGPC Top five SCREEN-OUT categories



Credit Memo Missing/Incomplete

- Collateral Shortfall not addressed
- Life Insurance was not addressed
- Use of Proceeds
Unclear/Ineligible
- Derogatory credit not addressed
- Certification that financials were verified against IRS Transcripts was not included
- Justification for Projections missing
- Schedule of Collateral was missing or Incomplete
- All possible affiliates not addressed
- Working capital requirements not fully addressed
- Credit Memo contradicts draft Loan Authorization
- Delinquent Federal Debt not addressed

Financials Missing/Incomplete

- Projections missing
- 3 years and interim financial statements for all affiliates missing
- Seller financial statements missing
- Pro-forma balance sheet missing/incomplete
- Personal financial statements missing/incomplete

Change of Ownership Requirements

(Includes CRE Purchase)

- Purchase Agreements missing
- Business Valuations/ Appraisals missing
- Equity Injection unclear or inadequate
- Standby Debt terms not addressed
- Environmental Reports not provided when required

Refinance Requirements Not Met

- Copies of Notes to be refinanced and/or Transcripts missing.
- Loan to be refinanced on reasonable terms
- 10% improvement to cash flow not met
- Same collateral position not obtained
- Certification that credit card used for business purpose

1919/1920 Missing or Incomplete

- 1919 missing for guarantors and person hired to manage day to day operations
- 1920 page 3 not completed for change of ownership
- All questions on not answered on both forms

Questions?



Thank you for all your hard work

Requesting Delegated Authority

Requests for **Brand New** Delegated Authority Email:

7adeleauthnomination@sba.gov

Renewals, Certificate of good standing Email:

7aDeleAuthRenewal@sba.gov

Add-on Authority or Re-instatements due to
Authority Lapses Email:

7aRedelegationNominations@sba.gov

Notices & Contact Information

Franchise – updated addendum

[Link to Policy Notice Franchise Review](#)

Email questions to: FranchiseFY2017@sba.gov

Central Servicing Agent Change - updates

[Link to Info Notice Central Servicing Agent](#)

Email questions to: christopher.j.urban@wellsfargo.com

912's & 1081's

[Link to Procedural Notice for 912s and 1081s](#)

Email questions to: justine.alston@sba.gov