



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1172

SUBJECT: 7(a) and 504 Fees Effective On
October 1, 2010

EFFECTIVE: 9/28/2010

Each year SBA reviews the fees payable to SBA by 7(a) participating lenders (Lenders), Certified Development Companies (CDCs), and borrowers to determine if they are sufficient to cover the estimated costs of the 7(a) and 504 loan programs. The purpose of this Notice is to announce the fees effective October 1, 2010, for 7(a) and 504 loans approved during FY 2011.

7(a) Loan Program

For 7(a) loans approved on or after October 1, 2010, the “Yearly Fee” due from Lenders to SBA will be 0.55 percent (55 basis points) of the guaranteed portion of the outstanding balance on the 7(a) loan. This fee remains the same as for FY 2010. The 7(a) Yearly Fee is imposed under Section 7(a)(23) of the Small Business Act and is referred to as the “ongoing servicing fee” in the 7(a) Authorization Wizard.

The fee relief afforded under Section 501 of the American Recovery and Reinvestment Act of 2009 has been extended through December 31, 2010 by the Small Business Jobs Act of 2010. This means that on all 7(a) loans approved from October 1, 2010 through December 31, 2010 the upfront guaranty fee payable to SBA will be eliminated. All other fees in the 7(a) loan program will be the same as for FY 2010. A description of these fees may be found in [SOP 50 10 5\(C\)](#).

504 Loan Program

For 504 loans approved on or after October 1, 2010, the “Annual Fee” paid by borrowers on an ongoing basis to SBA will be increased from 0.389 percent to 0.749 percent (74.9 basis points) of the outstanding balance of the 504 loan. The 504 Annual Fee is imposed under Section 503(b)(7) of the Small Business Investment Act.

The fee relief afforded under Section 501 of the American Recovery and Reinvestment Act of 2009 has been extended through December 31, 2010 by the Small Business Jobs Act of 2010. This means that on all 504 loans approved from October 1, 2010 through December 31, 2010 the Third Party Participation fee and the CDC Processing fee will be eliminated. SBA will continue to reimburse CDCs for the CDC Processing Fee. All other fees in the 504 loan program will be the same as for FY 2010, including the one-time guaranty fee that SBA is authorized to charge under Section 503(d)(1) of the Small Business Investment Act (which remains at zero). A description of these fees may be found in [SOP 50 10 5\(C\)](#).

EXPIRES: 9/1/2011

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SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1174

SUBJECT: Small Business Jobs Act:
Dealer Floor Plan Pilot Program

EFFECTIVE: 9/29/2010

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 (“Small Business Jobs Act”). The purpose of this Notice is to inform SBA personnel that a new, expanded Dealer Floor Plan (“DFP”) Pilot Program is authorized under Section 1133(a) of the Small Business Jobs Act. SBA has started work on implementing the new DFP Pilot Program, which will become available in the coming months and will remain available until September 30, 2013. Thus, as was announced through a notice published in the *Federal Register* (74 FR 32006) on July 6, 2009, the Agency’s currently available DFP Pilot Initiative will expire on September 30, 2010, and will not be renewed.

Between July 1, 2009 and September 1, 2010, 79 DFP lines of credit were approved by SBA. These lines of credit were beneficial to the automotive, recreational vehicle, and marine dealers who received them; however, overall participation in the DFP Initiative was not widespread. Many dealers and lenders noted that SBA’s \$2 million loan limit did not address their financing needs and was a major impediment to their participation. The Small Business Jobs Act increases SBA’s 7(a) and Dealer Floor Plan maximum loan amount to \$5 million and addresses certain other issues raised by dealers and lenders about the expiring DFP Initiative. SBA believes these changes will make the new DFP Pilot Program more attractive to a larger segment of the small business dealer community and the small business floor plan lending community.

Because the DFP Pilot outlined in the Small Business Jobs Act differs materially from the current initiative, SBA must construct new credit models, policies, and procedures before it becomes available. This process is quite extensive and will take several months to complete. SBA is focused on accelerating this process as much as possible. As we work to implement the new DFP Pilot Program, SBA welcomes input from industry trade associations, lenders, dealers and other interested parties. In the meantime, there will be a short gap between the current DFP Initiative’s September 30, 2010 sunset date and the date on which the new DFP Pilot Program is available. During this gap, new SBA-guaranteed DFP lines of credit will not be available. SBA considered extending the existing DFP Initiative to fill this gap. However, based on the low program participation due to the limitations of the current initiative, the Agency believes that it should not renew the current initiative and should focus on quickly and effectively implementing the new DFP Pilot.

After September 30, 2010, no new floor plan lines of credit can be guaranteed by SBA under the current DFP Initiative. The termination of this initiative will have no effect on any DFP line of credit approved by SBA on or before September 30, 2010.

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Notification and Questions:

SBA field offices are responsible for notifying participants that the current DFP Initiative will expire on September 30, 2010.

Questions and comments concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

Grady B. Hedgespeth, Director
Office of Financial Assistance



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1173

SUBJECT: Small Business Jobs Act:
Extension of Authority for 7(a) and
504 Recovery Loans

EFFECTIVE: 9/29/2010

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 (the "Small Business Jobs Act"). This legislation provides an additional \$505 million to the Small Business Administration to support as much as \$14 billion in lending to small businesses. These funds are available to provide fee relief for new 7(a) and 504 loans under Sections 501 and 502 of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). In addition, this legislation extends the authority for SBA to provide a higher guaranty on eligible 7(a) loans to December 31, 2010.

Funding of Loans in Queues

504 Loans

As soon as funds become available, SBA will begin funding applications that remain in the 504 Recovery Loan Queue. SBA expects that funds will become available on or after October 1, 2010. Borrowers and lenders are advised that while these loans will be eligible for processing fee relief, they also will be subject to a higher annual fee of 0.749% as announced in SBA Information Notice 5000-1172, issued September 28, 2010. This may be a consideration in whether or not to leave a loan in the Recovery Loan Queue.

7(a) Loans

For 7(a) loan applications (other than SBA Express loans) that are in the 7(a) Recovery Loan Queue, SBA will approve these loans with a 90 percent guaranty in addition to fee relief as soon as funds become available (expected on or after October 1, 2010). This will relieve lenders of the need to withdraw loans from the Queue and resubmit them in order to receive the higher guaranty. SBA believes that most, if not all, lenders will prefer the higher guaranty that is now available under the Small Business Jobs Act. (SBA Express loans are not eligible to receive the higher guaranty and will only receive fee relief.)

If a lender does not want the higher guaranty percentage and the additional annual fees it will require, the lender may use E-Tran to reduce the guaranty as a unilateral servicing action if it is a delegated lender. Non-delegated lenders that do not use E-Tran should contact the Standard 7(a) Loan Guaranty Processing Center to reduce the guaranty percentage. Lenders will be able to reduce the guaranty on the loan at any time, but for reductions requested after the SBA loan number is received SBA will only make adjustments to annual service fee billings for loans

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where the lender reduces the guaranty percentage through E-Tran or the Standard 7(a) Loan Guaranty Processing Center within 90 days of the date of this notice.

There is an additional closing requirement for 7(a) loans that receive the higher guaranty that must be met, which was also required by statute for Recovery Act loans receiving the higher guaranty. Prior to first disbursement on a 7(a) loan with the increased guaranty, lenders must require that the Borrower and any Operating Company certify that they have not been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien. This certification is in addition to the existing disclosure requirement on SBA Form 912, Statement of Personal History. (See the notice published in the Federal Register on June 8, 2009 at 74 FR 27199, 27200.)

The 7(a) Loan Authorization Boilerplate incorporates this certification for Standard 7(a), Certified Lender Program, Preferred Lender Program and Small/Rural Lender Advantage loans. For any Pilot Loan Program loans, the lender will be responsible for adding this requirement to the loan authorization.

Appendix D of the [7\(a\) boilerplate authorization](#) provides a sample Borrower's Certification containing the required language.

Restricted Uses

Section 1604 of the Recovery Act states that none of the funds appropriated or otherwise made available in the Recovery Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. SBA Policy Notice 5000-1105 (effective date 5-22-2009) provided guidance on this restriction on the use of funds for SBA's Recovery Act loans. This restriction will not apply to 7(a) and 504 loans with reduced or eliminated fees or to 7(a) loans with the higher guaranty percentage that are approved under the Small Business Jobs Act.

7(a) Recovery Loans that were approved by SBA prior to September 27, 2010

Recovery loans that have been approved by SBA (as evidenced by receipt of an SBA loan number) with the lower guaranty percentage cannot be cancelled and resubmitted for the higher guaranty. In addition, lenders may not request an increase to the guaranty percentage on their Recovery loans as a servicing action.

Non-Recovery loans approved prior to September 27, 2010 also cannot be cancelled and re-submitted as a Recovery loan.

SBA Field Offices will advise 7(a) lenders and CDCs of this Notice. Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

Grady B. Hedgespeth
Director, Office of Financial Assistance

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SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1175

SUBJECT: Small Business Jobs Act:
New Alternative Size Standard
for 7(a) and 504 Loans

EFFECTIVE: 9/29/2010

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 (“Small Business Jobs Act”). The purpose of this Notice is to advise SBA personnel, 7(a) lenders and Certified Development Companies (CDCs) that the Small Business Jobs Act establishes a new temporary alternative size standard for business loans made under SBA’s 7(a) and 504 loan programs.

SBA sets size standards that establish which businesses are considered small for certain government programs. The Small Business Jobs Act directs SBA to establish a new alternative size standard based on tangible net worth and net income for determining size eligibility for its 7(a) and 504 loan programs. The law also establishes a temporary alternative standard that is in effect until SBA issues the new size rule.

This new, temporary alternative size standard is established by Section 1116 of the Small Business Jobs Act, which states, in part:

[A]n applicant for a business loan under section 7(a) or an applicant for a development company loan under title V of the Small Business Investment Act of 1958 may be eligible for such a loan if—

- (i) the maximum tangible net worth of the applicant is not more than \$15,000,000; and
- (ii) the average net income after Federal income taxes (excluding any carry-over losses) of the applicant for the 2 full fiscal years before the date of the application is not more than \$5,000,000.

This Notice announces that, effective September 27, 2010, the new statutory alternative size standard replaces and supersedes the existing alternative size standard, based on tangible net worth and net income, for SBA’s 7(a) and 504 loan programs set forth in 13 CFR 121.301(b)(2). The method for calculating net worth and net income outlined in 13 CFR 121.301 will continue to apply to the calculation of net worth and net income under this temporary alternative size standard. The new statutory alternative size standard will remain in effect until such time as SBA establishes a permanent alternative size standard for the 7(a) and 504 loan programs through rulemaking.

Thus, beginning September 27, 2010, applicants can utilize the new statutory alternative size standard (or the industry-based size standard set forth in 13 CFR 121.201) in order to qualify for a 7(a) or 504 loan. SBA's disaster loan program, surety bond guarantee program, small business investment company program, and small business development and contracting programs, as well as other federal programs utilizing SBA's industry-based size standards, are not affected by this temporary alternative size standard. Current standards for these programs in 13 CFR Part 121 remain in effect.

For businesses applying for SBA 7(a) and 504 loans before September 27, 2010, the new statutory alternative size standard will not be available. Instead, these applicants must qualify under the previously adopted alternative size standard set forth in 13 CFR 121.301 or the industry-based size standard. For the Preferred Lenders Program (PLP), SBA Express and the Pilot Loan Programs (Community Express, Export Express, Patriot Express, and the Gulf Opportunity Pilot Loan Program), size is determined as of the date of approval of the loan by the lender. (SOP 50 10 5(B), Subpart B, Chapter 2.)

SBA field offices are responsible for notifying lenders and Certified Development Companies that this new statutory alternative size standard is in effect.

Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

Karen Hontz
Director, Office of Government Contracting

Grady B. Hedgespeth
Director, Office of Financial Assistance

Notification and Questions

These fee changes are effective for FY 2011, unless superseded by another Information Notice. SBA field offices must notify Lenders and CDCs of these changes.

Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

Eric R. Zarnikow
Associate Administrator
Office of Capital Access