

MEMBER BUSINESS UPDATE

INTELLIGENCE FOR FORWARD THINKING BUSINESS LENDERS

APRIL 2014



SBA ISSUES UPDATES TO 504 AND 7(a) LOAN PROGRAMS

On February 25, 2013 SBA published a proposed rule and request for comments in the Federal Register to implement several changes intended to reinvigorate the business loan process by eliminating unnecessary compliance burdens and loan eligibility restrictions. That period of comment has passed and on March 21, 2014 those changes were published in the Federal Register and became effective on that day.

The major changes proposed by SBA related to affiliation principles, the personal resources test, the 9-month rule for the 504 loan program and operational and organizational requirements for Certified Development Companies ("CDCs"). Several commenters opposed the "totality of circumstances" standard set forth in proposed section 121.302(a). Among the comments were concerns that this standard would leave too much gray area and might not

be consistently applied. They said that this standard is vague and open-ended, and that it would subject lender decisions to more scrutiny and second-guessing than currently has occurred. In addition, many commenters expressed concern that the Applicant Affidavit On Affiliation was far too complicated for the typical applicant to complete and would likely add to the applicant's cost. It would also increase the time needed to prepare applications and would not, contrary to the SBA's intention, result in streamlining the process and reducing costs.

Personal Resources Test Ends

SBA proposed to eliminate section 120.102, known as the "personal resources test", effective April 21, 2014. It requires certain owners of a borrower to inject personal liquid assets into the business to reduce the amount of SBA guaranteed funds that would otherwise be needed. Those opposed to eliminating the regulation were concerned that it would lead to

increased scrutiny by SBA of lenders' determinations that credit was "not available elsewhere." Others opposed felt that borrowers with significant assets would receive loans and that personal liquid assets would not be required to be converted to collateral for the loan, which would not be consistent with prudent lending.

Questions about these and other changes to SBA rules should be forwarded to Lyman Williams at lwilliams@mbllc.com.

TRAINING WEBINAR

Join us on Wednesday, April 9th at 2 PM for an educational Webinar session entitled, "Fortify Your Foundation."

The topics include "Debt Service Coverage Ratio" and "Annual Loan Reviews."

We ask you to register using the registration button on your electronic invitation to the session which you will receive prior to the session date.

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HOLIDAY CLOSURES

May 26 Memorial Day

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SBA Fixed	5.51%