

## SBA Releases SOP 50 57

January 22, 2013 the Office of Capital Access announced the issuance of SOP 50 57 which will be effective March 1, 2013. The new SOP, which is designed for easy use by lenders and dedicated solely to 7(a) loan servicing and liquidation, is part of the Agency's ongoing efforts to modernize and simplify its loan program requirements.

Consistent with the changes made to SBA's loan servicing and liquidation regulations in 2007, SOP 50 57 recognizes that national and state-chartered lenders may use their own loan servicing and liquidation procedures as long as they comply with prudent lending practices and SBA loan program requirements.

Unlike previous SOPs, SOP 50 57 covers both loan servicing (previously covered by SOP 50 50) and loan liquidation (previously covered by SOP 50 51). It also includes all of the changes made by the Agency's 7(a) loan servicing and liquidation policy and procedures since 1999 when SOP 50 50 4 was issued, and 2010 when SOP 50 51 3 was issued.

SOP 50 57 also includes value-added content set out in note boxes, practice tips and clearly labeled examples, which answer frequently asked questions.

SOP 50 57 does not include any reference to 504 loans or SBA internal decision-making procedures. A new SOP covering 504 loan servicing and liquidation has been drafted and is expected to be issued within the next six months. Until that time, SOP 50 50 4 and SOP 50 51 3 will remain in effect to the extent that they apply to 504 loans.

### **Servicing Changes:**

The definition of a "seasoned loan" is the mirror opposite of the definition pertaining to when there has been an "early default" on a loan, and is now more closely aligned to the industry definition of a seasoned loan as one that has paid as agreed for one year. The SBA Environmental Risk mitigation guidelines have been expanded to include processes for loans in regular servicing status as well as loans in liquidation status. The standards for documenting

servicing actions have been standardized in the definition of a "Loan Action Record," which requires all servicing actions to be documented by the lender or other "independent" party with justifications and written supporting documentation. When there is a change of ownership that includes new financing to accomplish the acquisition and assumption of an SBA loan, the SBA loan may only be subordinated to the new loan to the extent that the new loan finances improvements to the collateral that will increase its value.

### **Liquidation Changes:**

"Financial hardship" has been defined as the inability to pay for: (i) food and clothing, (ii) out of pocket health care expenses; (iii) housing and utilities; and (iv) transportation. The guidelines regarding Protective Bids have been modified to include a "prudent lender" exception for circumstances not reflected in the appraisal, but otherwise documented in the loan file. Federal redemption rights may only be released for 50 percent of the Recoverable Value after the senior lien holder's foreclosure sale has been confirmed. Thresholds for mandatory liquidation of real and personal property collateral have been raised to \$10,000 and \$5,000, respectively. Guidelines regarding Offer in Compromise have been expanded to include OIC's for going concerns. A "Feasibility Test" has been articulated for use in connection with proposed loan workouts. CPC expense reimbursements may only be submitted: (i) with the guaranty purchase package, (ii) when the outstanding expenses exceed \$5,000 per loan; or (iii) with the wrap-up report. Lenders are encouraged to explain missing documents and provide estimates of repairs for deficiencies leading to material losses in the guaranty purchase package. The definition of "Material Loss" has been increased to \$5,000 for personal property, and \$10,000 for real property collateral and full denial of guaranty is generally appropriate if a lender uses a suspended or debarred loan agent to prepare its loan application package.

MBL will provide in depth training on the changes found in SOP 50 57 on February 20<sup>th</sup>. Details about this training are provided on the following page. SOP 50 57 may be found on SBA's Web site at [www.sba.gov](http://www.sba.gov).

Source: SBA Information Notice, control number 5000-1262

### **The MBL Mission:**

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

# MBL Holiday Closures

**Presidents' Day**  
**February 18, 2013**

## Monthly Training Seminar

MBL will offer an online seminar on February 20, 2013. The new SOP 50 57 will be discussed. The seminar is part of MBL's free monthly seminar series and is open to all credit union business lending staff.

### SOP 50 57

Wednesday, February 20, 2013

2:00 – 3:00 p.m. (MDT)

Session number:

Session password:

A link to the training will be provided in a separate email.

## SBA BASE RATES FEBRUARY 2013

WSJ Prime	3.25%*
1-Month LIBOR Base Rate	3.20%*
SBA Fixed Base Rate	4.77%*
SBA Peg Rate	2.25%**

\*Effective for the first business day of February 2013

\*\*Effective for the period between January 1, 2013 to March 31, 2013

## CUNA Changes Priorities

CUNA announced new legislative priorities for 2013 that include four key agenda items: preserving the credit union tax exemption, reducing regulatory burden, engaging in housing finance reform and advancing credit union charter enhancements.

That marks a significant change from 2012, when raising the member business lending cap to 27.5% of assets was the primary goal. The reason for the change is that last year law makers were focused on helping small business but this year Congress is expected to tackle tax reform.

Source: Credit Union Times, "MBL Hike Lower on CUNA Priorities", dated 1/9/2013

## Small Business Optimism Up but Concerns Persist

Small business owners are more optimistic about the economic environment than they were in November, according to a new survey. Healthcare costs and small business taxes are still major concerns.

The quarterly Wells Fargo/Gallup Small Business Index, which attempts to quantify optimism based on owners' responses about their business' present and future performance, increased to nine in January, up 20 points from -11 in November following the election. The index ranges from -400 to 400; a score of zero reflects neither optimism nor pessimism. Pre-recession scores were at or around 100.

A recent report by the National Federation of Independent Business owners also found an increase in small business optimism since November.

Fifty-four percent of small business owners said healthcare costs were a concern, and 53 percent said the same of small business taxes, the Well Fargo/Gallup survey found. Other choices for issues included the price of energy, government regulations and the federal debt ceiling, but fewer business owners reported these as concerns.

Seventy-one percent of business owners expected the number of jobs at their company to stay the same over the next year, and 17 percent (unchanged since November) planned to add jobs in the next year.

The survey also asked small business owners that were not hiring why they weren't doing so; 81 percent said they didn't need additional help, 74 percent said they were worried about revenue and sales and 66 percent reported being worried about the U.S. economy. Sixty-one percent of owners who weren't hiring cited the potential cost of healthcare as a barrier.

January's optimism score reflects the "volatility of business owner sentiment today," Doug Case, Small Business Segment Manager for Wells Fargo, said in a statement. "Business owners are feeling a bit more positive at the beginning of the year, but they also express concern about the operating environment that could impact future business decisions, such as hiring new employees."

Source: Washingtonpost.com, "Small Business Optimism Up, but Concerns about healthcare and taxes persist", dated 1/28/2013

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