

504 Debt Refinancing Program Set to Expire

In September 2010, the Small Business Jobs Act authorized refinancing of debt when there is no expansion of the small business. This authority was granted for two years and is available for loan applications approved by SBA through September 27, 2012. It should be noted that the permanent 504 debt refinancing program for projects that involve an expansion of the small business remains in effect.

It was widely speculated that this program would be extended but SBA has issued Notice 5000-1248 stating that the program will come to an end.

Loan applications for refinancing under the Small Business Jobs Act of 2010 must be reviewed and approved by the Sacramento Loan Processing Center no later than September 27, 2012. Therefore, SBA recommends as much lead time as possible to ensure timely processing of the small business borrower's loan request for this program. SBA strongly encourages lenders to submit complete applications no later than September 17, 2012. SBA cannot assure that applications received after that date will be processed in a timely fashion. SBA will not be able to fund any increases in loans or reinstate CDC cancelled loans under this temporary program after September 27, 2012.

Source: SBA Notice 5000-1248, dated 8/28/2012

SBA BASE RATES SEPTEMBER 2012

WSJ Prime	3.25%*
1-Month LIBOR Base Rate	3.23%*
SBA Fixed Base Rate	4.45%*
SBA Peg Rate	2.50%**

*Effective for the first business day of September 2012

**Effective for the period between July 1, 2012 to September 30, 2012

Consumer Sentiment at Three-month High

According to a new survey from the National Small Business Association (NSBA) cash flow issues continue to plague a significant number of America's small businesses. The survey found that nearly half (43 percent) of small business owners report that they needed funds at one point in the last four years and were unable to find any willing source for those funds.

"Not only have small-business owners been unable to find new credit over the last four years, nearly a third had their existing credit slashed and one in ten had their loans called in early," stated NSBA President and CEO Todd McCracken. "What's worse – 19 percent of those whose loans were called in early were given less than 15 days to pay the full balance of their loans." Among the small-business owners who reported some change to their credit, 60 percent stated that the reason given was the bank's internal risk assessment. Underscoring the relatively negative impression many survey respondents expressed with lending institutions, 15 percent said they were given no explanation for changes to their credit.

Small businesses were asked to rate various lending institutions and only small community banks and credit unions received a majority overall positive rating. More than one quarter of small-business respondents said they changed banking institutions in the last four years, with feelings of mistreatment the most common cause.

Source: Reuters, "Consumer Sentiment at Three-month High in Early August", dated 8/20/2012

MBL Holiday Closures

Columbus Day
October 8th, 2012

Thanksgiving Day
November 22, 2012

The MBL Mission:

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

Regulatory Reviews

Is your credit union prepared to be audited by SBA, NCUA, or your state DFI? MBL can help you prepare for your upcoming audit by performing portfolio, policy, and/or SBA eligibility reviews to ensure compliance with state and federal regulations. Even if your credit union is not facing an imminent regulatory review MBL can perform a compliance review to ensure that NCUA and SBA requirements for oversight are being met. An MBL portfolio review will provide clarity on the completeness and appropriate application of the credit union's lending policies. These reviews can assist the credit union in identifying and implementing best practices to reduce credit risk.

If your credit union is considering purchasing a commercial loan portfolio or pursuing a merger with a credit union with an existing commercial/SBA loan portfolio MBL can perform a review to help the credit union assess the potential for risk. These reviews can range from a simple examination of the credit underwriting criteria to a full analysis of the creditworthiness and loan file completeness of a portfolio. Sample files are considered to develop statistical projections of the potential risk classifications across the whole portfolio.

You can learn more about examinations and MBL's review services during September's Monthly Training Seminar.

Monthly Training Seminar

MBL will offer an online seminar on regulatory examinations. The seminar is part of MBL's free monthly seminar series and is open to all credit union business lending staff.

Regulatory Examinations

Wednesday, September 19th

2:00 – 3:00 p.m. (MDT)

Session number: 281 015 372

Session password: Examination919

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

SBA Proposes Size Standard Increases

The SBA is seeking comment on three proposed rules published in the Federal Register that would revise the size definitions for small businesses in the Utilities; Construction; and Arts, Entertainment and Recreation sectors. The proposed revisions reflect changes in market conditions.

The proposed rule for the Utilities sector would revise the size standard for nine industries. The rule proposes changing six of the industries dealing with electric power generation, distribution and transmission from revenue-based size standards to an employee based size standard of 500 employees. It would also increase the size standards for the remaining three industries in the Utilities sector from \$7 million to \$25.5 million for water supply and irrigation systems, \$7 million to \$19 million for sewage treatment facilities, and \$12.5 million to \$14 million for steam and air conditioning supply. SBA estimates as many as 400 additional firms in this sector would become eligible for SBA programs as a result of these revisions.

SBA also proposed increases in size standards for one industry and one sub-industry in the Construction sector. Specifically, SBA proposed to increase the size standard for Land Subdivision from \$7 million to \$25 million and from \$20 million to \$30 million for businesses engaged in Dredging and Surface Cleanup activities. SBA estimates that more than 400 additional firms will become eligible for SBA's programs and services, if adopted.

The SBA's third proposed rule would increase the small business size standards for 17 industries in the Arts, Entertainment and Recreation sector. As many as 1,450 additional firms could become eligible for SBA's programs and services if the proposed increases are adopted.

Comments can be submitted on these proposed rules on or before September 17, 2012, at www.regulations.gov.

The revision of the size standards in these sectors will enable more small businesses to retain their small business status; will give federal agencies a larger pool of small businesses to choose from for small business procurement opportunities and help eligible small businesses benefit from SBA's loan programs.

Source: SBA Release Number 12-33, dated 7/18/2012

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