



Reporting to Credit Bureaus

In the April 2013 technical release of SOP 50 57, SBA inserted a requirement for lenders to report to credit reporting agencies whenever they extend credit via an SBA loan. It states "[i]n accordance with the Debt Collection Improvement Act of 1996, Lenders are required to report information to the appropriate credit reporting agencies whenever they extend credit via an SBA loan. Thereafter, they should continue to routinely report information concerning servicing, liquidation, and charge-off activities throughout the life-cycle of the loan. "

The inclusion of the requirement was based the revised OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables* issued in January 2013. Although the OMB Circular is addressed to federal agencies, the requirements for federal agencies' loan servicing apply whether servicing is performed in-house, by another agency or a private sector firm.

According to *The Guide to the Federal Credit Bureau Program* "[a]ccount information should be reported on a nonexclusive basis; i.e., debtor information should be submitted to each designated commercial credit reporting agency receiving Federal data, unless circumstances dictate otherwise. (See Appendix 3 for credit reporting agency contacts.)" Appendix 3 lists three bureaus: Dun & Bradstreet, Experian, and Equifax. Although the Guide (page 1-5) states that reports must go to **all** credit agencies on a "Non-exclusive basis" MBL has learned that the agency will require lenders to report to a single commercial credit agency. Indeed, SBA is in the process of issuing an explanatory Notice that will provide additional guidance.

MBL reports commercial debts on a monthly basis to Experian, the largest credit bureau and a market leader with over 30 years' experience in the commercial arena. To include your commercial data in these reports, please contact Shane Knighton (sknighton@mbllc.com).

SBA BASE RATES SEPTEMBER 2013

WSJ Prime	%3.25
1-Month LIBOR Base Rate	%3.18
SBA Fixed Base Rate	%5.58

*Effective for the first business day of September 2013

**Effective for the period: September 1, 2013 to September 30, 2013

Monthly Training Seminar October Webinar

MBL will offer the monthly webinar on **October 9, 2013**. The webinar is part of MBL's free monthly seminar series and is open to all credit union business lending staff.

Loan Funding and Boarding

2:00 – 3:00 p.m. (MDT)

Session number: 802 360 704

Session password: october

Dial in phone number: 1-855-749-4750

Link:

<https://mbltraining.webex.com/mbltraining/k2/j.php?ED=233076017&UID=1649531452&HMAC=f9a5a0a388b5a73f7f3d5f382563e74d871a8d4f&RT=MIM2>

MBL Holiday Closures:

October 14, 2013
Columbus Day

SBA Secondary Market Loan Payment Trust Accounts

For lenders with SBA loans sold on the secondary market, the Secondary Participation Guaranty Agreement (aka SBA Form 1086) requires lender to deposit the pro rata share of the borrower's payment due to the FTA in a trust account with the name "Colson Services Corp., FTA, in trust for the individual security beneficiaries". Recently the SBA Office of Credit and Risk Management has queried lenders, at time of renewal of delegated authorities, as to the evidence of these accounts. MBL recommends that the credit union should setup custodian accounts for each loan to ensure compliance with this requirement. The credit union will use their EIN/TIN for the W-9 reporting on the account. For more information, please contact Shane Knighton (sknighton@mbllc.com).

DID YOU KNOW?

The Portfolio Diagnostics Report was introduced with the July reporting period. This report is designed to consolidate the following disparate reports:

- Program Dashboard
- Program Trends Analysis
- Portfolio Mix and Concentration Report (previously known as the portfolio Snapshot Report)
- Portfolio Delinquency
- Rolling 12 Month Charge Offs

In addition to the consolidation of the reports, a Peer Comparison section was added, providing your credit union with its program productivity as compared to MBL's productivity as whole, with respect to the items reported in the Program Dashboard.

Additionally, a section was added to the Portfolio Mix and Concentration labeled "Portfolio by Risk Rating". This section provides a summary of those loans within your portfolio that have an adverse risk rating, the total outstanding dollars at risk, the number of existing TDRs and the number of projected TDRs. An Adverse Risk Rating Detail Report has been developed and is provided monthly in conjunction with this section, to provide loan level detail pertaining to this summary.

Please visit our MBL website for BLOG posts:
WWW.MBLLC.COM

SBA will be issuing a new processing SOP which is anticipated to be released in early September. This new SOP will be known as SOP 50 10 5(F) and has several major changes that will impact lenders that participate in the 7(a) loan program. Some of the anticipated **major** changes to expect in the new SOP include (list is not all inclusive):

- **Collateral Policy:**
 - Loans of \$25,000 or less - no collateral required (no change from previous versions)
 - Loans between \$25,000-350,000 – the lender will follow their internal loan policies for commercial loans of similar size, but must (at a minimum) obtain a lien on fixed assets
 - Loans greater than \$350,000 – secure the loan to the maximum extent possible per SBA's existing requirements. If fixed assets do not fully secure the loan, a lien on the personal real estate owned by principals must be taken
- **Credit criteria:**
 - **SBA will break all 7(a) loans into two categories:** Loans of \$350,000 and under & loans of \$350,000 to \$5 million
 - Loans \$350,000 or under must be processed via Small Loan Advantage or SBA Express
 1. These loans will feature a mandatory debt service coverage of 1:1 on a global (as defined by lender) or projected basis
 - For loans over \$350,000 – repayment ability must be demonstrated from the cash flow of the business including a 1.15:1 DSC ratio on historical or projected basis
- **Life Insurance:** Lenders are required to use their internal commercial policy for similarly sized non-SBA guaranteed commercial loans (except if the borrower is an LLC... then life insurance required). Details to follow
- **Franchise lending:** FRUNS numbers will be required (for businesses such as franchises as applicable) at time of loan application and will be submitted via E-Tran for loans processed under the lender's delegated authority
- Updated forms for all 7(a) loans which are to be simplified and **universal**

The MBL Mission:

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