



North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

SOP 50-10-5(D)

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What to Expect Today

- Brief Overview of Small Business Jobs Act of 2010
- Pending Legislative updates
- Changes to the SBA SOP 50-10-5(D)



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Small Business Jobs Act of 2010

Key Points Still in Effect

- Maximum Loan Amounts Increased
 - 7(a) increased to \$5 million (\$3.75 million guaranteed amount)
 - 504 increases to \$5 million (\$5.5 million for certain industries)
 - Microloan increased to \$50,000

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Small Business Jobs Act of 2010

Key Points Still in Effect

- Division of Large loans
 - SBA will allow larger loans to be split into \$500,000 increments for inclusion in separate pools
 - October 13 Federal Register Vol. 76, No. 176 provides the Direct Final Rule that should go into effect on November 28, 2011
 - Little guidance has been provided to the secondary market regarding the implementation

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Small Business Jobs Act of 2010

Key Points Still in Effect

- Debt Refinancing thru the 504 program
 - Owner occupied real estate can be refinanced into a 504 structure
 - Specific regulations have been revised
 - Valid thru 9/27/2012

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Small Business Jobs Act of 2010

Key Points Still in Effect

- SBA 504 First Mortgage Loan Pool (FMLP)
 - The original plan expired February 16, 2011 but was extended to run thru September 23, 2012
- Dealer Floor Plan Financing renewed
 - New DFP Pilot Program Procedural Guide Released 2-24-2011

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Small Business Jobs Act of 2010

Key Points Still in Effect

- Alternative Size Standards
 - Tangible Net Worth of \$15 million
 - Average Net Income of \$5 million
- International Trade Loans
 - \$5 million maximum and 90% guaranty
 - Export Express now a permanent program

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Small Business Jobs Act of 2010

Key Points Still in Effect

- Small Business Intermediary Lending Pilot (ILP)
 - 20 Intermediaries selected for special loans up to \$200,000
 - Grand Central Texas DC - Austin
- Federal Contracting Opportunities
 - Better Playing Field for Small Businesses
 - Small Business Teaming Opportunities

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Key Points of SOP 50-10-5(D)

- \$5,000,000 now official in SOP
- Small Loan Advantage
- Community Advantage
- Eligibility Authorized Express Lenders
- Community Adjustment and Investment Program
- CAPLines

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D)

- SBA Wizard / Authorization Modifications
- Delinquent Debt
- Interest Rate Policies
- EPC/OC Clarification
- Trusts as Owners
- ETran Required for Delegated Lenders

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D)

- Life Insurance
- Flood Insurance Requirements
- OREO Transactions
- Transferring the Guaranty
- Franchises and Franchise Registry
- Debt Refinance

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Key Points of SOP 50-10-5(D)

- Change of Ownership
- Lender Service Providers
- Loan Agent Data / SBA Form 159
- Dealer Floor Plan

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Legislative Updates

Key Legislative Updates on the horizon

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Key Points of SOP 50-10-5(D) 504 Specifics

- Canceled Loans
- Appraisal Submissions
- Interest Rate Swaps
- Debt Refinance

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Key Points of SOP 50-10-5(D) - 504

Canceled Loans

- The CDC must ensure that any recorded documents are canceled at the place of recordation

Appraisal Submissions

- Loans can now be submitted with an estimate of value
 - Current Appraisal required prior to closing
 - Must meet same appraisal requirements
 - Other Fixed Assets requires a FMV appraisal

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Key Points of SOP 50-10-5(D) - 504

Interest Rate Swaps

a contract between two parties where one party pays a fee in exchange for an agreement by the other party to pay any interest in excess of an established amount. The contract may last for all or part of the term of the loan. The swap contract only relates to the payment of interest.

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Key Points of SOP 50-10-5(D) - 504

Interest Rate Swaps

- To comply with SBA requirements, the interest rate swap contract must meet the following conditions:
 - The agreement can only be between the borrower and swap seller
 - SBA cannot be a party to the interest rate swap contract
 - Swap contract does not affect the amount of money owed by the borrower to SBA in default-- interest will be paid based on the Note rate, not the swap contract

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Key Points of SOP 50-10-5(D) - 504

Interest Rate Swaps

- Swap Requirements (continued)
 - SBA will not be responsible if the swap seller defaults during the life of the contract.
 - Swaps may be sold on the secondary market
 - The lender is responsible to work with the swap seller to make sure funds are available for submission to the fiscal and transfer agent
 - Full amount of the P&I required under the Note must be reported on the Form 1502

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Key Points of SOP 50-10-5(D) - 504

Interest Rate Swaps

- Swap Requirements (continued)
 - SBA will not review swap contracts for borrowers or provide guidance on their use.
 - Borrower must sign a statement acknowledging that interest will be calculated at the Note rate if the swap contract is terminated
- Swap contracts may be used on new or existing loans.
- The swap contract does not have to last for the entire length of the loan agreement.
- SBA does not have a standard form for an interest rate swap contract

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Key Points of SOP 50-10-5(D) - 504

Interest Rate Swaps

- The following statement must be included in the swap contract that is executed by the borrower and the swap seller:

The Small Business Administration is not a party to this contract and does not guarantee it. In the event SBA is called upon to honor its guaranty to the lender, the borrower's debt will be determined by the terms of the Note, including the variable interest rate provision

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Key Points of SOP 50-10-5(D) - 504

504 Debt Refinance

- Business Expansion Refi – 2009
- Balloon Debt (non-expansion) Refi – September 27, 2010
- New Age of 504 Refi – October 1, 2011

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Expansion Debt Refi – 2009 (permanent)

- Relatively new development for 504 (2009)
- Can refinance certain existing fixed asset debt of the business into a new (expansion) 504 loan.
- Must be adding substantial new 504 project costs to the business (expansion or new location).
- Can refinance an amount of no more than 50% of the new project costs.
- Can use existing property equity as new project down payment. (EXAMPLES)

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Greater Texas Capital Corporation

PROPOSED SBA 504 REFINANCE LOAN STRUCTURE FOR: TEXAS TRANSCO, INC. - CRESSON, TEXAS

Fixed Asset Values:

Two Salt Water Disposal Wells	\$13,341,000
Fresh Water Well	\$540,000
Frac Tanks	<u>\$1,266,000</u>
Subtotal - Appraised Value	\$15,147,000

Outstanding Loan Balance:

Various Fixed Asset Notes Payable	\$4,000,000
Other Long Term Debt	<u>\$2,925,000</u>
Subtotal - Project Debt	<u>\$6,925,000</u>
Project Equity Available	<u>8,222,000</u>

Soft Costs and Other Business Expenses:

Professional Fees	\$20,000
Interim Financing & Points	\$150,000
Title Policy & Other Soft Costs	\$37,300
Purchase of Trucks and Trailers	\$4,000,000
Other Bus. Exp. - Accounts Payable	<u>\$2,500,000</u>
Total Soft Costs	<u>\$6,707,300</u>
Total Project Cost (appraised value + other costs)	<u>\$21,854,300</u>

FINANCE STRUCTURE

SBA 504 Loan		
Bank 1st TD Loan	37.21%	\$8,132,300
Net Debenture Proceeds	25.17%	<u>\$5,500,000</u>
Total debt - (90% if appraisal)		\$13,632,300
Borrower Equity in Assets	37.62%	\$8,222,000
Borrower Cash Equity Required		<u>\$0</u>
Total Project Cost		<u>\$21,854,300</u>

Bank Interim Loan	5,500,000
Reserve Account Fee	27,500
CDC Processing Fee (1.5%)	82,500
Funding Fee (0.25%)	13,750
Legal Closing Fees	2,500
Underwriting Fee (0.40%)	<u>22,620</u>

Balance to Borrower **130**

Gross Debenture 5,649,000

DEBT SERVICE

	BANK
Loan Amount	\$8,132,300
Interest Rate	6.00%
Years	20
Total Bank Participation	\$8,132,300
Monthly Payment	
Bank 1st TD	58,262
SBA 2nd TD	<u>39,491</u>
Combined New Monthly Payment	97,754
Existing Monthly Payment	<u>\$60,000</u>
Total Reduction in Monthly Payment	<u>(\$37,754)</u>
Reduction Percentage	-38.62%

504 Loan (October - 2011 Closing Rate)	
Term (Years)	20
Note Rate (20 Year Fixed)	2.80737%
504 Servicing Fees (incl. higher SBA fee @ 10/1/1)	<u>2.20300%</u>
Initial effective rate	<u>5.01037%</u>
Payments: (including Fees as described below)	
Yr.	Total Payment
1-5	\$39,491
6-10	\$37,737
11-15	\$35,731
16-20	\$33,423

*Statutory fees are paid monthly to CDC, SBA, and a Central Servicing Agent. Fees are adjusted every 5 years based on the balance of the note at the 5 year anniversary date. The approximate calculation for monthly fees is the anniversary balance multiplied by 2.203% divided by 12.

REFI RULES:

- 1) Project cost is equal to the appraised value of the assets.
- 2) Third party lender loan must be at least 50% of appraisal.
- 3) CDC debenture is total debt less third party lender loan.
- 4) Borrower equity must be sufficient or they must inject cash for th



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New Jobs Act Refi – 9/27/10 (temporary)

- Entire separate training, however...
- Program is temporary – 2 years from 9/27/10.
- Initial loans eligible were balloon debt coming due 12/31/12 or before, others later... that didn't work!!!
- Loan must have originally been used to finance 504 - eligible costs (fixed assets)(85%)
- Company must have been in business for more than two years.
- Debt must be at least two years old.

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SOP 50-10-5(D) Training

New Jobs Act Refi – 9/27/10 (temporary)

- Loan must not exceed the number of full-time equivalent jobs times \$65,000... unless it meets a public policy goal.
- Third Party Loan and 504 loan cannot exceed 90% of the FMV of the collateral pledged (real estate & equip.).
- Loans cannot have been past due in the past year for more than 30 days. Transcript must be provided.
- Total financing cannot exceed the outstanding principal balance of the refi debt (this has now changed)
- All refi loans are subject to an appraisal (within 6 mo.). Can now be submitted subsequent to application.

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New Jobs Act Refi – 9/27/10 (temporary)

- Rules more stringent on same institution debt.
- NO refi of existing SBA 7A or 504 debt.
- A higher SBA guaranty fee (1.103%) applies.
- Existing borrower equity may or may not be sufficient to cover their equity requirement.
- Third party lender loan must be at least 50% of appraisal value. (That has now changed).
- Examples – Dickey's / Elliot Motors

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“Enhanced” Jobs Act Refi – 10/2011

Shortfalls of the “old” Jobs Act refinance rules:

- 1) Appraisal had to be submitted with the application.
- 2) There could be no “new money” in a refinance loan.
- 3) There could be no “cash out” for other business expenses
- 4) The third party lender loan was required to be 50% of appraised value. This eliminated many projects.

These issues were addressed and rectified as of the 10/2011 SOP release. New regs were just established a few weeks ago.

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

New Debt Refinance Rules

- Maximum Loan Amounts
 - 90% of the fair market value of the fixed assets
 - Can include “other business expenses” (cash out)
 - Other business expenses must be identified and verified
- Borrower Contribution
 - 50% Third Party Lender (at least equal to the debenture proceeds)
 - 50% CDC
 - 10% Equity
 - Other Fixed Assets can be pledged to cover appraisal shortfall

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Third Party Lender Certifications
 - The Lender analysis must include a conclusion that the proposed debt refinancing satisfies all the requirements and conditions that apply (incorporate into commitment letter)
 - The analysis must state the refinance does not involve an expansion of the small business
 - The Lender must certify that there is no knowledge of a default by the borrower or information that indicates a default by the borrower is likely

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Third Party Lender Certifications
 - The Lender must certify that they are not in a position to sustain a loss on the refinancing project, thereby causing a shift to the SBA of all or part of the potential loss (incorporate into commitment letter)
 - The Lender must state that the loan would not be made without the assistance provided by the SBA (incorporate into commitment letter)

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Borrower Contribution

- FMV of Fixed Assets	\$2,000,000
- Outstanding Debt	\$1,500,000
- 90% LTV	\$1,800,000
- 10% Borrower's Equity	\$200,000
Cash for Business Expenses	\$300,000

Examples: Newk's / Holiday Inn Express

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Borrower Contribution
 - FMV of Fixed Assets \$2,000,000
 - Outstanding Debt \$1,900,000
 - 90% LTV \$1,800,000
 - Borrower's Equity <\$100,000>
 - Shortfall Solutions
 - Cash
 - Forgiveness
 - New Note (subordinated)
 - Other Fixed Assets

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Financing Business Expenses
 - Eligible Business Expenses
 - Business Expenses of the Borrower within 18 months
 - Salaries
 - Rent
 - Utilities
 - Inventory
 - Incurred but not Paid prior to date of application
 - CDC must be able to certify

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Disbursement Period
 - Loans must be disbursed within 6 months of approval
 - ONE 3 month extension can be granted for cause
 - Any additional extensions require D/FA approval
- Multiple Loans can be refinanced
 - All loans must meet statutory and regulatory requirements

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) - 504

Debt Refinance

- Assignment / Modification of Loan Documents
 - Same Institution Debt Instruments can be modified
 - Other Institution Debt Instruments can be assigned
 - All modified or assigned documents must meet SBA's Regulatory Requirements for a Third Party Loan.
 - Will allow borrowers to avoid costs on filing fees, title policies, etc.

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

\$5,000,000 Now in SOP

- SOP
 - Loans approved within 90 days to any one business cannot exceed \$5,000,000
 - maximum SBA guaranty amount outstanding of all loans to any one business cannot exceed \$3,750,000
 - Exception
 - Export Working Capital (90%)
 - International Trade (90%)

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

\$5,000,000 Now in SOP

- Federal Register / Vol. 76, No. 198
 - 13 CFR
 - As a result of this change, section 7(a)(3) of the Small Business Act now reads: "No loan shall be made under this subsection—(A) if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund established by this Act would exceed \$3,750,000 (or if the gross loan amount would exceed \$5,000,000), except as provided for international trade loans, which have a different limit." 15 U.S.C. § 636(a)(3)(A).

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Small Loan Advantage (SLA)

- **TERM** Loans up to \$250,000
 - Same guaranty percentages as regular 7(a)
 - Streamlined Application
 - SBA Form 2301A for Borrower
 - Lender must use prudent analysis
 - Complete SBA Form 2301B (delegated authority)
 - Must also complete SBA Form 2301C (non-delegated)
 - Submit via ETran
 - Lenders may use own Note and Guaranty Agreements

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Community Advantage

- Designed for mission-oriented lenders, non-profit financial intermediaries that are focused on economic development in underserved markets
- Loans up to \$250,000
 - Same as SLA and S/RLA
 - Low to Moderate Income Communities
 - Empowerment Zones and Enterprise Communities
 - HUB Zones

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Community Advantage

- Organizations Eligible to Participate
 - SBA Authorized CDCs
 - SBA Authorized Microloan Intermediaries
 - Non-Federally Regulated Community Development Financial Institutions
 - Submit to LGPC
 - Three Levels of Delegation (until delegated)
 - Full Delegation (Tier One)
 - Conditional Delegation (Tier Two)
 - Non-Delegation (Tier Three)

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Eligibility Authorized Express Lenders

- Previously two levels of Express Lenders
 - Eligibility Authorized
 - Non-Eligibility Authorized
 - No Longer two levels

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Community Adjustment and Investment Program

- Assist companies in areas negatively affected by the North American Free Trade Agreement (NAFTA).
 - Allows for reimbursement of the guaranty fee on eligible 7(a) loans
 - Eligibility
 - reside in a county, or a defined area within a county
 - job creation component - one job created for every \$70,000 of the guaranteed portion
 - Limitations on Debt Refinance
 - Submit SBA Form 2021 to LGPC

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

CAPLines

- BIG CHANGES....HUGE....GIGANTIC
 - Working Capital CAPLine
 - Contract CAPLine
 - Seasonal CAPLine
 - Builders CAPLine
- Stay Tuned for More!!!!

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

SBA Wizard / Authorization Modifications

- New Wizard out (prior to 10/01/2011)
 - The new Wizard is compatible with Word 2007 and Word 2010.
 - Prior Wizard is compatible with Word 2003
- Does not incorporate any of the SOP 50-10-5(D) items
 - Updated Wizard will be released with the new updates

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Delinquent Federal Debt / Prior Loss

- SBA cannot provide assistance to a business if there is delinquent Federal debt or a prior loss to the Government
 - Prior loss is any deficiency on a Federal loan or Federally assisted financing which has been incurred and recognized by a Federal agency after it has concluded its write-off and/or close-out procedures
 - Loss after sale of collateral
 - Compromise for less than full amount due
 - Bankruptcy
 - Any unreimbursed advance payment

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Delinquent Federal Debt / Prior Loss

- SBA cannot provide assistance to a business if there is delinquent Federal debt or a prior loss to the Government
 - A debt is considered delinquent when any Federal loan or Federally assisted financing has not been paid within 90 days of due
 - Make sure the debt has not been released, included in bankruptcy, written workout agreement or judicial appeal
 - Does not include unpaid/delinquent taxes or any loss incurred by the Federal Deposit Insurance Corporation (FDIC) when it sells a loan at a discount

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Delinquent Federal Debt / Prior Loss

- SBA cannot provide assistance to a business if there is delinquent Federal debt or a prior loss to the Government
 - Delegated lenders are responsible for checking the Credit Alert Verification Reporting System (CAIVRS) to determine
 - If there was a loss associated with any of the debts forgiven, included in bankruptcy, etc., the loan remains subject to the rules governing a Prior Loss to the Government
 - Includes Applicant, Associates, Affiliates and Guarantors
 - If debt is fully satisfied, application can be processed under delegated authority..DOCUMENT..DOCUMENT

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Interest Rate Policies

- Lender is allowed to change the interest rate between application (to the SBA) and first disbursement.
 - Base Rate
 - Spread
 - Fixed/Variable
- Lender can change rate without SBA concurrence, but must be within Policy
 - Lender must notify the CLSC or complete the change in ETran
 - Lender must provide written agreement

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Eligible Passive Company (EPC) / Operating Company (OC)

- An EPC may not use loan proceeds to acquire a business, acquire stock in a business or any intangible assets of a business or to refinance debt that was incurred for those purposes.
 - Prohibits
 - Acquiring a Business
 - Acquiring Stock
 - Refinance debt the was for business purposes

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Eligible Passive Company (EPC) / Operating Company (OC)

- EPC Restrictions
 - SOP now states FIXED assets
 - Business Acquisitions with R/E
 - R/E cannot be financed separately by non-SBA loan unless the loans are shared lien position (pari pasu)
 - R/E cannot be split out to avoid the 25% rule for business acquisitions

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Trusts as Owners

- If the Small Business Applicant is owned by a Trust, the rule applies to the Trustor. All donors to the trust will be deemed to have Trustor status for eligibility purposes
 - 20% Rule applies
 - The eligibility status of the Trustor will determine trust eligibility
 - Liquid assets are subject to being injected into the project, including liquid assets held in a revocable trust
 - Trustor must complete the SBA Form 912
 - The Trustor must guarantee the loan
 - Exception: ESOP Trust Agreement prohibits the guaranty

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

ETran Requirements

- Requests for a loan number must be sent through ETran
 - Any delegated authority must now use ETran for submission of loans.
 - PLP
 - PLP-EWCP
 - Express
 - Etc.
- ETran is expanding and will soon be required by all lenders for all actions, origination, submission, servicing, etc.

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Life Insurance

- No Longer Mandatory
 - Delegated Lenders can determine the level of life insurance required
 - Documentation the reasoning behind life insurance requirements
 - Adequacy of Collateral
 - Satisfactory Succession Plan
 - If Repayment dependent on owner's active participation
 - Any loss on the loan due to the death of the owner, lender will be responsible for the loss.

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Life Insurance

- Lender can escrow for payment of premiums
 - Must comply with existing policy for commercial R/E taxes and insurance

Flood Insurance

- Applies equally to condominium and cooperative units
 - Maximum insurable value or maximum insurance amount
 - Does lender need to be listed on master policy needs clarification

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SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

OREO Transaction

- Lender can receive a sales price the exceeds the mortgage balance plus care and preservation expenses or the liquidation, whichever is less.
 - SBA guaranty will be reduced accordingly.

– OREO Sales Price	\$1.2 million
– Lender's costs or liquidation value (whichever is less)	\$1.0 million
– Guaranty amount: 75% of \$1.0 million	\$750,000
– Effective SBA guaranty: \$750,000/\$1,200,000	62.5%

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Transferring the Guaranty

- Prior to final disbursement
 - Submit written explanation to the Standard 7(a) Loan Guaranty Processing Center
 - Complete the Transfer of Participation Agreement
- After Final Disbursement
 - Submit written explanation to the Standard 7(a) Loan Guaranty Processing Center
 - Complete the Transfer of Participation Agreement

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Transferring the Guaranty

- Prior to Final Disbursement
 - If more than one loan transfer is being requested prior to final disbursement, the LGPC must forward the request to the D/FA for decision
 - Complete the Transfer of Participation Agreement
- After Final Disbursement
 - Submit written explanation to the appropriate CLSC

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Transferring the Guaranty

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 - If more than one loan transfer is being requested prior to final disbursement, the LGPC must forward the request to the D/FA for decision
 - Complete the Transfer of Participation Agreement
- After Final Disbursement
 - Submit written explanation to the appropriate CLSC

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North Texas Association of Government Guaranteed Lenders


SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Franchises and Franchise Registry

- Review the Franchise Registry
 - www.franchiseregistry.com
 - Lenders must register and get login credentials
 - Login and review for listing on Registry
 - Check to see if the specific year (effective date) is listed
 - If effective date is not listed, treat as not on the Registry
 - Review specific documents in the folder
 - View the Agreement
 - View any REQUIRED Addendums
 - Prepare “Certificate of Franchise Documents”

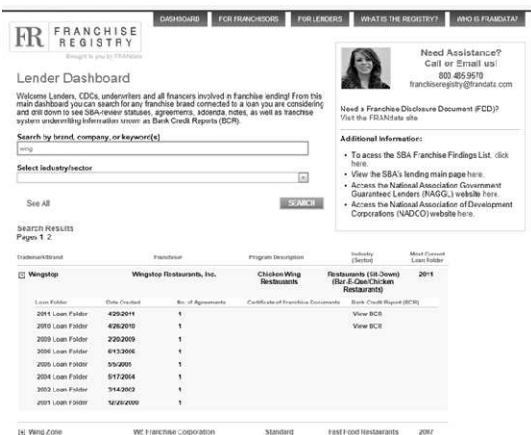
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North Texas Association of Government Guaranteed Lenders


SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)



The screenshot shows the Franchise Registry Lender Dashboard. It includes a search bar for lender names, company names, or keywords. Below the search bar, there are filters for industry and sector. The search results table shows data for Wingstop Restaurants, Inc., including loan folders from 2004 to 2011, with columns for date, number of agreements, and links to view BCRs and ECRs.

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Franchises and Franchise Registry

- If not on the Registry, need to check the Franchise Findings list
 - <http://www.sba.gov/content/franchise-findings>
 - Lenders must look for a fix
 - If a fix is available, must document accordingly
 - If additional assistance or guidance, contact franchise@sba.gov
 - Statistical information for franchise operations
- PLP Lenders must review the document for eligibility, or counsel review.

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Franchises and Franchise Registry

- If order for franchise to be eligible, document your file accordingly
 - Fully Executed Agreement including ALL exhibits
 - Executed Addendums as indicated on Registry
 - Executed Certification of Franchise Documents
 - Comply with and eligibility notes

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Debt Refinance

- Personal Debt is no longer eligible
 - Credit Card debt still eligible, but must comply with SOP requirements
 - HELOC debts will not be eligible
- Sole Props will still be eligible, but Lender must document the proper use of funds
- EPC structure to individual would be eligible if properly documented

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Change of Ownership

- Non-Owner Buyer must buy the business under specific formats
 - Asset Purchase
 - Transfer of Partnership Interest
 - Redemption of Stock

- Existing owner buying out another owner must buy the business under specific formats
 - Transfer of Partnership Interest
 - Redemption of Stock

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Change of Ownership

- No Creeping Controlled allowed
 - Existing owners cannot buy a portion of another owner
 - Must acquire 100% of another owner
 - An outsider cannot use loan funds to buy a portion of the ownership

- Reallocation of stock/interests redeemed is still unclear
 - General consensus is reallocation should be acceptable
 - Need to watch for increase of ownership to over 20%

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Lender Service Provider

- Lender Service Provider means an Agent who carries out lender functions in originating, disbursing, servicing, or liquidating a specific SBA business loan or loan portfolio for compensation from the lender.
- A lender must have a continuing ability to evaluate, process, close, service, liquidate and litigate small business loans. (13 CFR 120.410) The lender itself, not the LSP, must be able to demonstrate that it has day-to-day responsibility for the required actions.

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Lender Service Provider

- All participating lenders must submit each LSP agreement to the LGPC for review and approval. Lenders may submit the agreements to LSPAgreements@sba.gov. After SBA approves an LSP agreement, if there are any changes to the agreement, the lender must submit the revised agreement to SBA for review and approval.
- Prohibits Lender from passing on to applicant fees paid to LSP except reasonable costs associated with its portion of the application packaging

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Lender Service Provider

- Requires that Agreements specify fees to be charges for each type of service and figured on an hourly basis.
- Cannot be based on a percentage of loan amount or whether loan is approved
- There is a difference between an LSP and an Agent

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Agents

- A lender can hire someone to assist with the preparation of the paperwork for the application to SBA, the loan closing, or preparation of the loan to sell it on the Secondary Market, an Agent
- The compensation for these services must be reasonable and customary for the services actually provided; again, they cannot be based on a percentage of the loan amount; and cannot be contingent upon the loan being approved.

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Agents

- The Agent must bill and be paid by the lender for all services and the lender may not pass these charges through to the Small Business Applicant under any circumstances

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

SBA Form 159

- The Form must be completed by the Agent and the Small Business Applicant for all fees paid by the Small Business Applicant
- Lenders must submit SBA Form 159(7a) to Colson on loans that involve payment of fees. The submission is required only once after there has been an initial disbursement and should be submitted in conjunction with a lender's 1502 report for the month

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Key Points of SOP 50-10-5(D) – 7(a)

Dealer Floor Plan

- The SBA Dealer Floor Plan Pilot Program Procedural Guide was issued on February 14, 2011
- Specific Eligibility Requirements
- Loan Amounts are same as regular program
 - Maximum \$5,000,000
 - Minimum \$500,000

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North Texas Association of Government Guaranteed Lenders

SOP 50-10-5(D) Training

Questions?