

The Lender's Advantage

U.S. Small Business Administration



Your Small Business Resource

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District Director's Desk

Welcome to the SBA monthly lender newsletter.

The U.S. Small Business Administration's fundamental mission and mandate is to aid, counsel, and protect the interests and well being of America's small business community in the furtherance of the Nation's free enterprise system. This includes making sure the small business community is aware of SBA's programs and services, not only financing but, federal contracting assistance and business management assistance through our network of Small Business Development Centers, SCORE and Women Business Centers. If you are dealing with a small business or entrepreneur who you believe may need the service of one of our resource partners please let us know or visit our website for local contact information.

Happy holidays to you and your family and best wishes for a happy and prosperous 2009.

SBA Lending News:

Implementation of SBA's Addition of LIBOR Plus 3 Percent as a Base Rate

SBA Procedural Notice No. 5000-1081, "One Month LIBOR Plus 3 Percent Allowed as SBA Base Rate," described the background to the addition of a new Base Rate to 13 CFR 120.214(c). The interim final rule adding the new base rate to the regulation was published on November 13, 2008 (73 FR 67099). The purpose of this notice is to clarify how a lender locates the correct One Month London Interbank Offered Rate (LIBOR) rate or the Prime rate on a monthly basis.

The modifications to SOP 50-10(5), Subpart B, Chapter 3, Paragraph 4 (Pages 145-151) that were included in SBA Procedural Notice No. 5000-1081 describing which Prime or One Month LIBOR rate is to be used read as follows:

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“(4) ...The Prime or LIBOR rate will be that rate which is in effect on the first business day of the month, as identified in a national financial newspaper or newspaper website each business day. SBA publishes the Optional Peg Rate quarterly in the Federal Register. Base Rates will be rounded to two digits with .004 being rounded down and .005 being rounded up.”

The same section of the SOP contains the following example:

“The rate of interest will change on the first calendar day of the adjustment period even though the rate may not be known until the second business day of that period. For example, if the first of the month is a Sunday, the base rate is the prime rate in effect on Monday. This rate will be reported in the Wall Street Journal on Tuesday, the third calendar day and second business day of the month.”

In some cases, a national financial newspaper may be delayed in reporting the Base Rate for Prime or LIBOR. Thus, the rate reported by the newspaper on the first business day of the month may actually be the rate in effect a day or two earlier. The LIBOR is fixed each morning at 11 a.m. London time by the British Bankers Association, so some U.S. financial websites are able to post the current day's rate for LIBOR prior to 8 a.m. EST that same day. (Lenders should access such sites the first business day of the month to identify the correct LIBOR rate since LIBOR changes daily.)

The Base Rates for the month of December are the following:

Prime: **4.00** % (as in effect on the first business day of December)
LIBOR: 1.91 % (as in effect on the first business day of December) + 3.0% = **4.91**%
SBA Peg Rate: **4.63**% (as in effect for the period between October 1, 2008 and December 31, 2008)

Banking News:

Q: Will lenders be allowed to modify existing loans by requesting a change in the base rate to the new option of 30 day LIBOR +3; if so, what types of limits are imposed? For instance, I could see that perhaps some lenders would be interested in altering recent loans made based on Prime because of the "upside down" spread. But even for a borrower's sake, if a loan is made now based on the new option, 30 day LIBOR, and later that interest rate is higher than market, a borrower may move to another lender -- creating a prepay in the secondary market if the loan was sold -- if the bank cannot make a modification to the loan and change the base rate.

A: OFA received this same question last week from other offices. Some lenders are inquiring whether they can 1.) on approved loans switch the base rate to the LIBOR base rate prior to closing or 2.) on closed and disbursed loans, switch to the LIBOR base rate as a servicing action.

And the answer is that a loan must follow the regulations in affect at the time it was approved. Since a LIBOR base rate was not available at the time these loans were approved, the lender cannot switch the base rate to a LIBOR base rate, even as a servicing action. A similar example is the loan size limits. At one point, loans could not be approved for more than \$750,000. When the limits were raised to \$2,000,000 again, those loans could not be increased beyond the \$750,000 limit because that was the rule in effect when the loan was approved.

FYI News:

To get a copy of the most current Quick Reference To SBA Loan Guaranty Programs go to: www.sba.gov/md and click on SBA Loan Chart under the Resources heading.

In addition if there is anything going on at your organization or in the community related to business or finance that you would like to share please email it to us for consideration in a future newsletter.

You can forward this newsletter to anyone who may be interested. If you aren't on the email list for this newsletter, are contemplating switching jobs or would just like to add another email address to receive this newsletter at home please email edward.knox@sba.gov the request.

Upcoming Events:

May 15, 2009—2009 Maryland Small Business Week Awards Breakfast, Martin's West

New this year— Top Ten Lender Award Presentations

May 21, 2009—(Tentative Date) MD Commercial Lenders' Association (MCLA) Golf/Bull Roast

For more information, contact Denny Kleppick at (410) 544-1994

Lender Rankings October 1, 2008 - November 30, 2008

7(a) Approved Loans by SBA Lenders by Loans and Volume

LENDER NAME	#LOANS	AMOUNT
SUSQUEHANNA BANK	4	\$1,689,000
PNC BANK, NATIONAL ASSOCIATION	3	\$1,276,700
K BANK	3	\$1,130,600
COMPASS BANK	1	\$1,027,000
MANUFACTURERS AND TRADERS TRUST COMPANY	15	\$949,600
SMALL BUSINESS LOAN SOURCE, LLC	1	\$907,000
COMMERCE BANK, A DIVISION OF	1	\$775,000
CIT SMALL BUSINESS LENDING CORPORATION	1	\$640,000
HANMI BANK	1	\$490,000
COMMUNITY BANK OF TRI-COUNTY	2	\$450,000
UPS CAPITAL BUSINESS CREDIT	1	\$422,000
BRANCH BANKING AND TRUST COMPANY	5	\$375,000
SANDY SPRING BANK	3	\$350,000
PROVIDENT BANK OF MARYLAND	5	\$345,000
WILSHIRE STATE BANK	1	\$330,000
NEWTEK BUSINESS SERVICES, INC.	1	\$290,000
COMMUNITY WEST BANK, NATIONAL ASSOCIATION	1	\$287,500
HOWARD BANK	2	\$265,000
COMMERCEFIRST BANK	3	\$250,000
INNOVATIVE BANK	6	\$170,000
SUNTRUST BANK	1	\$125,000
BORREGO SPRINGS BANK, N.A.	1	\$50,000
BANK OF AMERICA, NATIONAL ASSOCIATION	1	\$50,000
SUPERIOR FINANCIAL GROUP, LLC	3	\$35,000

TOTAL 7(a)'S **66** **\$12,679,400**

Certified Development Companies (504 Loans)

BUSINESS FINANCE GROUP, INC.	1	\$192,000
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TOTAL 504's **1** **\$192,000**

TOTAL LOANS **67** **\$12,871,400**