

**DRAFT  
VERSION 3**



# **ASSET SALES SOURCE BOOK FOR CONTRACTORS AND INVESTORS**

*The information provided is a summary of the applicable SBA loan programs. The information is provided for the convenience of bidders only and should not be considered a complete and accurate description of the programs or a complete and accurate description of the organization or administration of the programs by SBA, or by lenders or others that participated in said programs. Accordingly, neither SBA, nor any of its officers, directors, employees, contractors or agents make any representations or warranty, express or implied, as to the accuracy or completeness of the information and no legal liability with respect thereto is implied. For further information on SBA loan programs, bidders should consult the applicable provisions of the Small Business Act and regulations codified in 13 Code of Federal Regulations, Part 120. .*



**U.S. Small Business Administration**

**February 1999**

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# ASSET SALES SOURCE BOOK FOR CONTRACTORS AND INVESTORS

## Overview

<b>Introduction</b>	
<i>This section provides a brief background on the U.S. Small Business Administration; highlights the primary public purposes of the Agency; and lists facts about America's small businesses and the Agency's support and advocacy role.</i>	
<b>Section One: Authority and Plans</b>	<i>The legislation, budgets, and business planning of the SBA, and Congressional oversight committees and SBA news releases.</i>
<b>Section Two: Loan Programs</b>	<i>An introduction to the direct and guaranteed loan programs, and the systems and operating policies for their implementation, including unique forms and closing documents.</i>
<b>Section Three: Organization</b>	<i>The organizational structure of SBA Headquarters, and the roles and responsibilities of offices and centers outside of Washington, D.C.</i>
<b>Section Four: Supporting Information</b>	<i>Other information, including a glossary of terms used in the servicing, liquidation, and sale of SBA assets.</i>

## **Introduction<sup>1</sup>**

The mission of the Small Business Administration (SBA) is to maintain and strengthen the Nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses and by helping businesses and families recover from disasters.

**Mission Statement from the SBA Strategic Plan (September 30, 1997)**

Congress created the U.S. Small Business Administration (SBA) in 1953 to help America's entrepreneurs form successful small enterprises. Today, SBA's program offices offer financing, training and advocacy for small firms. SBA delivers these programs in offices in every state, the District of Columbia, Guam, the Virgin Islands and Puerto Rico. The Agency's public purpose is:

- To be an advocate for small business;
- To promote minority and socially disadvantaged business interests;
- To provide financing for enterprises unable to obtain commercial credit; and
- To provide disaster relief for victims of declared natural disasters

Small business enterprises are the backbone of the economy, and play a significant role in all aspects of business. They create two of every three new jobs, produce 39% of the gross national product, and invent more than half the nation's technological innovation. Our 20 million small companies provide dynamic opportunities for all Americans.

### **Consider these small business facts:**

- There are approximately 23 million small businesses in the U.S.
- New business formation reached another record level in 1996.
- There were 842,357 new employer firms in 1996 – the highest ever.
- Small business-dominated industries produced an estimated 64 percent of the 2.5 million new jobs created during 1996.

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<sup>1</sup> From the SBA website at <http://www.sba.gov/aboutsba/>. The text reflects updated information obtained from SBA staff.

## Small businesses

- Hire a larger proportion of employees who are younger workers, older workers, women, or workers who prefer to work part-time.
- Provide 67 percent of workers with their first jobs and initial on the job training in basic skills.
- Provide virtually all of the net new jobs added to the economy.
- Represent 99.7 percent of all employers.
- Employ 53 percent of the private work force.
- Provide 47 percent of all sales in the country.
- Provide 55 percent of innovations.
- Account for 35 percent of federal contract dollars.
- Account for 28 percent of jobs in high technology sectors.
- Account for 51 percent of private sector output.
- Represent 96 percent of all U.S. exporters.<sup>2</sup>

With a portfolio of business loans, loan guarantees, and disaster loans of more than \$45 billion, SBA is the nation's largest financial backer of small businesses. In FY<sup>3</sup>1997, SBA offered management and technical assistance to more than one million small business owners. In FY1997, SBA provided record levels of loan guarantees and Section 504 economic development loans – almost \$11 billion in loan approvals to more than 50,000 small business owners; and more than \$1 billion in loan approvals to more than 50,000 family and business disaster victims.

SBA has long been a significant source of financing for small businesses. In 1997, SBA financing accounted for more than 11% of all outstanding credit to small businesses in the United States.<sup>4</sup>

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<sup>2</sup> From the SBA website at <http://www.sba.gov/aboutsba/>

<sup>3</sup> The federal government's fiscal year is from October 1<sup>st</sup> through September 30<sup>th</sup>.

<sup>4</sup> "A Directory of Small Business Lending in the US Reported by Commercial Banks," June 1995, June 1996, and June 1997.

## **Section One: Authority and Plans**

### ***Chapter 1 – Authorizing Legislation and Regulations***

Public Law 85-536, The Small Business Act, provides the Small Business Administration authority to carry out its duties and responsibilities.<sup>5</sup> For the purposes of this Source Book, the important part of the authorizing legislation begins at Section 7(a) of the law. The first paragraph reads as follows:

**Sec. 7. (a) LOANS TO SMALL BUSINESS CONCERNS; ALLOWABLE PURPOSES; QUALIFIED BUSINESS; RESTRICTIONS AND LIMITATIONS. --**

**The Administration is empowered to the extent and in such amounts as provided in advance in appropriation Acts to make loans for plant acquisition, construction, conversion, or expansion, including the acquisition of land, material, supplies, equipment, and working capital, and to make loans to any qualified small business concern, including those owned by qualified Indian tribes, for purposes of this Act. Such financings may be made either directly or in cooperation with banks or other financial institutions through agreements to participate on an immediate or deferred (guaranteed) basis.**

It is this law that also gives the Agency the authority to make loans to victims of declared natural disasters. Section 7(b)(1)(A) reads, in part,

**[Sec. 7. (b)] [The Administration is empowered to] (1)(A) to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred (guaranteed) basis as the Administration may determine to be necessary or appropriate to repair, rehabilitate or replace property, real or personal, damaged or destroyed by or as a result of natural or other disasters . . .**

The Certified Development Company (CDC) loan program (the 504 Program) is authorized by *The Small Business Investment Act*, Sections 502, 503 and 504, and is referenced at Sec.7(a)(13) of *The Small Business Act*. It reads as follows:<sup>6</sup>

**[Sec. 502.] . . . The Administration may . . . make loans for plant acquisition, construction, conversion or expansion, including the acquisition of land, to State and local development companies, and such loans**

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<sup>5</sup> The Act can be found at the SBA's website at <http://www.sba.gov/regulations>

<sup>6</sup> The Small Business Investment Act of 1958 (PL 85-699, as amended), including PL 105-135 (approved 12/2/97), can be found at the SBA's website at <http://www.sba.gov/INV/sbaact.html>

may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis . . .

### **Loan Sale Authority (PL 85-536 and PL 104-134)**

Authority for the sale of loans can be found in PL 85-536 and in the [\*Debt Collection Improvement Act of 1996\*](#) (PL 104-134). PL 85-536 states:

**Sec. 5(b)(2) . . . under regulations prescribed by [the Administrator], assign or sell at public or private sale, or otherwise dispose of for cash or credit, in his [the Administrator's] discretion and upon such terms and conditions and for such consideration as the Administrator shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with the payment of loans granted under this Act . . .**

The [\*Debt Collection Improvement Act of 1996\*](#)<sup>7</sup> also grants broad loan sale authority. In addition, it authorizes different sales structures, including equity participations. At §3720(D)(p), agencies are granted the authority to sell loans, pay sales expenses from sales proceeds, and sell for cash, profit participation, or equity.

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(1) . . . The head of an executive, judicial, or legislative agency may sell, subject to section 504(b) of the Federal Credit Reform Act of 1990 and using competitive procedures, any nontax debt owed to the United States that is delinquent for more than 90 days. Appropriate fees charged by a contractor to assist in the conduct of a sale under this subsection may be payable from the proceeds of the sale.

(2) After terminating collection action, the head of an executive, judicial, or legislative agency shall sell, using competitive procedures, any nontax debt or class of nontax debts owed to the United States, if the Secretary of the Treasury determines the sale is in the best interests of the United States.

(3) Sales of nontax debt under this subsection

(A) shall be for

(i) cash, or

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<sup>7</sup> Public Law 104-134, available online at <http://www.fms.treas.gov/debt/dmdcia.html>

(ii) cash and a residuary equity or profit participation, if the head of the agency reasonably determines that the proceeds will be greater than sale solely for cash,

(B) shall be without recourse, but may include the use of guarantees if otherwise authorized, and

(C) shall transfer to the purchaser all rights of the Government to demand payment of the nontax debt, other than with respect to a residuary equity or profit participation under subparagraph (A)(ii).

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Title 13 of the Code of Federal Regulations (13 CFR) regulates SBA activity. The two chapters of 13 CFR most pertinent to this Source Book are 13 CFR 120 (Business Loans) and 13 CFR 123 (Disaster Loans).<sup>8</sup>

### **Business Loans (13 CFR Part 120)**

Part 120 contains the rules (or regulations) for all of SBA's non-disaster loan programs. Within various subparts, the rules are set out for eligibility, loan uses, interest rates, loan terms, servicing, lender authorities and responsibilities, secondary market activity, and other requirements.

Subpart A: Basic Requirements for all Business Loan Programs

Subpart B: 7(a) Loans

Subpart C: Special Purpose Loans

Subpart D: Lenders

Subpart E: Program Administration

Subpart F: Secondary Market

Subpart G: Microloans

Subpart H: 504 loans

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<sup>8</sup> SBA's regulations can be found online at <http://www.sba.gov/regulations>

This part begins with a general description of the business loan programs (see §120.2):

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**(a) 7(a) loans.**

**(1) 7(a) loans provide financing for general business purposes and may be:**

- (i) A direct loan by SBA;**
- (ii) An immediate participation loan by a Lender and SBA; or**
- (iii) A guaranteed loan (deferred participation) by which SBA guarantees a portion of a loan made by a Lender.**

**(2) A guaranteed loan is initiated by a Lender agreeing to make an SBA guaranteed loan to a small business and applying to SBA for SBA's guarantee under a blanket guarantee agreement (participation agreement) between SBA and the Lender. If SBA agrees to guarantee (authorizes) a portion of the loan, the Lender funds and services the loan. If the small business defaults on the loan, SBA's guarantee requires SBA to purchase its portion of the outstanding balance, upon demand by the Lender and subject to specific conditions. Regulations specific to 7(a) loans are found in subpart B of this part.**

**(b) Microloans. SBA makes loans and loan guarantees to non-profit Intermediaries that make short-term loans up to \$25,000 to eligible small businesses for general business purposes, except payment of personal debts. SBA also makes grants to Intermediaries for use in providing management assistance and counseling to small businesses. Regulations specific to these loans are found in subpart G of this part.**

**(c) 504 loans. Projects involving 504 loans require long-term fixed-asset financing for small businesses. A Certified Development Company (CDC) provides the final portion of this financing with a 504 loan made from the proceeds of a Debenture issued by the CDC, guaranteed 100 percent by SBA (with the full faith and credit of the United States), and sold to investors. The regulations specific to these loans are found in subpart H of this part.**

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## **Disaster Loans (13 CFR Part 123)**

The rules governing the SBA's disaster loan program are presented in four sections in Part 123:

<b>Title</b>	<b>Begins at:</b>
Overview	§123.1
Home Disaster Loans	§123.100
Physical Disaster Loans	§123.200
Economic Injury Disaster Loans	§123.300

Section 123.2 provides a concise overview of the purpose of the disaster loan program.

**SBA offers low interest, fixed rate loans to disaster victims, enabling them to repair or replace property damaged or destroyed in declared disasters. It also offers such loans to affected small businesses to help them recover from economic injury caused by such disasters. Disaster declarations are official notices recognizing that specific geographic areas have been damaged by floods and other acts of nature, riots, civil disorders, or industrial accidents such as oil spills. These disasters are sudden events which cause severe physical damage, and do not include slower physical occurrences such as shoreline erosion or gradual land settling.**

SBA can only offer disaster loans when a natural disaster has been declared. The regulation specifies that this occurs in one of four ways:<sup>9</sup>

- (1) The President declares a Major Disaster and authorizes Federal assistance, including individual assistance (temporary housing and Individual and Family Grant Assistance).**
- (2) SBA makes a physical disaster declaration, based on the occurrence of at least a minimum amount of physical damage to buildings, machinery, equipment, inventory, homes and other property. [see 13 CFR 123.3(a)(2)(i), (ii), and (iii) for requirements]**
- (3) SBA makes an economic injury disaster declaration in response to a determination of a natural disaster by the Secretary of Agriculture.**

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<sup>9</sup> From 13 CFR §123.3

**(4) SBA makes an economic injury declaration in reliance on a state certification that at least 5 small business concerns in a disaster area have suffered substantial economic injury as a result of the disaster and are in need of financial assistance not otherwise available on reasonable terms. [see 13 CFR 123.3(a)(4) for requirements]**

SBA publishes information regarding the availability of disaster loan assistance, and the requirements for eligibility in the Federal Register. These notices contain important information such as the dates for eligible losses.

## **Chapter 2 -- SBA in the Federal Budget**

SBA fills a prominent role in the federal government's credit programs by providing business loans and disaster relief loans. As such, SBA loan programs are highlighted in the [\*Budget of the United States, Analytical Perspectives\*](#),<sup>10</sup> which is the part of the budget that describes crosscutting credit issues, programs, and activities.

The budgets for fiscal years 1998, 1999, and 2000 specifically called for the sale of the SBA's owned loan portfolio (direct loans and purchased guarantees). The owned, non-loan assets<sup>11</sup> (called "Colpur" or purchased collateral<sup>12</sup> within the Agency) are routinely sold by SBA and are to be included in the SBA Asset Sales Program. The language from the FY2000 budget follows:<sup>13</sup>

**Loan asset sales. One of the most significant events in completing the transition from loan servicing to lender oversight is SBA's planned sale of its current portfolio of defaulted guaranteed loans and direct loans in 1999, 2000, and 2001. The Disaster loan portfolio will be sold in 1999 and 2000. Implementation of an ongoing sales program will be based upon the knowledge gained in these upcoming sales. Drawing on the experience of Federal agencies such as the Resolution Trust Corporation and the Department of Housing and Urban Development, and SBA's analysis of its portfolio value stemming from its Liquidation Improvement Project, the Administration estimates that SBA's business loan assets (face value of approximately \$2 billion) can be sold at a gain to the government. It is estimated that disaster loans can be sold at their current value. These sales are also expected to yield future operational cost savings.**

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<sup>10</sup> Available online at <http://www.access.gpo.gov/usbudget/fy2000/pdf/spec.pdf>

<sup>11</sup> "Non-loan, owned assets" are acquired by foreclosure and/or voluntary repossession of collateral on loans owned by the SBA. Beginning in October, 1997, SBA's lenders are required to liquidate the collateral securing guaranteed loans, in the event of default, and to make a claim to the SBA for the final loss. Prior to that, lenders were not always required to liquidate collateral, and SBA assumed much of that responsibility.

<sup>12</sup> "Colpur" means collateral purchased; assets that were formerly collateral for a loan and are now owned by SBA.

<sup>13</sup> *FY2000 Budget of the United States, Analytical Perspectives*, p192-193.

### **Chapter 3 -- Five Year Strategic Plan**

The *Government Performance and Results Act*<sup>14</sup> requires all federal government agencies to submit a five year strategic plan, beginning with fiscal year 1999. The first plans were due September 30, 1997. There are numerous reports from the General Accounting Office on the requirements of the law, and the adequacy of the first reports, for the reader who wants further information.<sup>15</sup>

SBA's plan<sup>16</sup> does not specifically mention asset sales. It does mention two primary goals, which are increasing access to capital and credit and expanding procurement opportunities.

#### **1. Increasing access to capital and credit.**

Performance Objective: By the end of the year 2000, SBA projects it will have provided approximately \$77 billion cumulatively in capital and credit for small businesses to grow the economy, as will be reflected in increasing start-ups and net new jobs.

To achieve this objective, SBA will employ the following strategies:

- Continue to evaluate where gaps exist in conventional private capital and credit markets and develop strategies, products, and delivery systems to ensure that SBA's programs serve underserved small businesses and entrepreneurs.
- Increase reliance on intermediaries to deliver the capital access programs to the underserved.

This Strategic Plan sets forth a vision for the Small Business Administration (SBA), its general goals over the next several years, its strategies for meeting those goals, and the criteria the Agency will use to measure its performance.

The main purpose of this plan is to articulate SBA's strategic direction. It outlines what SBA wants to accomplish within the next 5 years and, within the context of continued budgetary and political support from both the Congress and the Administration, sets forth the means to achieve these goals.

**SBA's Five-Year Strategic Plan,  
September 30, 1997**

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<sup>14</sup> Available online at <http://www.ombwatch.org/www/ombw/gpra/text/gpratext.html>

<sup>15</sup> Available online at <http://www.gao.gov/new.items/gpra/gpra.htm>

<sup>16</sup> Available online at <http://www.sba.gov/strategic/>

- Improve loan monitoring and portfolio analysis to ensure that the loan programs are targeted to the underserved and that the programs are being cost-effectively managed.
- Accelerate the growth of financial and management capacity of small businesses in order to improve their access to conventional private capital, credit, and bonding markets.
- Work through resource partners to increase access to capital and credit.
- Set specific goals for program and field operations and resource partners.

## **2. Expanding small business procurement opportunities.**

Performance Objective: By the year 2000, SBA will help increase the share of Federal procurement dollars awarded to small firms to at least 23 percent.

To achieve this objective, SBA will:

- Work with other Federal agencies to set higher small business procurement goals and assist these agencies in meeting those goals.
- Improve and strengthen the small business set-aside and 8(a) programs by revising affiliation rules to allow small businesses to compete on larger contracts.
- Create a mentor/protégé program to encourage the formation of mutually beneficial business relationships that should strengthen developing 8(a) firms and improve their ability to compete for contracts.
- Expand the use of Internet-based technology, like PRO-Net, to educate and inform small businesses of Federal procurement opportunities and to allow small businesses to market to the Federal Government.
- Establish a system for collecting subcontracting data and disseminating information on subcontracting opportunities to small businesses.
- Continue to qualify community development corporations to participate in the 8(a) program.

- Use SBA's resource partners to improve procurement information exchange, increase business referrals, and provide procurement counseling.
- Increase the number of Small Business Innovation Research (SBIR) awards made to women-owned businesses by the participating Federal agencies.

## **Chapter 4 – Annual Performance Plan**

The SBA FY1999 Annual Performance Plan,<sup>17</sup> *Creating Opportunities for Small Business*, outlines those components of the Five-Year Strategic Plan slated for completion in fiscal year 1999. The SBA Administrator has described the five goals<sup>18</sup> under the over-arching umbrella of the two primary goals summarized above:

Creating opportunities for small firms to succeed is the Agency's first major goal and embraces most of the traditional programs administered by the SBA – the large loan guarantee programs; the small business investment programs; surety bond guarantees; the government contracting and minority enterprise development programs; and the business education, counseling, and training programs. The SBA strategic plan has incorporated all of these program areas into a single goal to emphasize SBA's role in supporting the financing and management needs of small businesses throughout the business growth cycle . . .

The second goal is to transform the SBA into a 21st century leading edge institution. It is about managing the SBA to the highest standards and providing service to its customers in a sophisticated, customer-friendly way. This goal envisions an Agency that uses technology more effectively, employs sophisticated techniques to identify and manage risk, delivers credit faster and cheaper, uses innovative products to meet differing needs, and protects the taxpayers' interests . . .

The third goal is to help businesses and families recover from disasters. SBA acts as the Federal Government's disaster bank and has provided more than \$25 billion in disaster assistance loans since 1953. SBA will use the \$9.01 million to improve its disaster assistance by focusing on improved customer service, reducing the amount of paper required in a disaster loan, becoming proactive as an agent for disaster preparedness, and improving the underwriting, processing and servicing of disaster loans.

The fourth goal for the SBA is to take a leadership role for small business participation in moving people from welfare to work. As the source of most new jobs in the economy, small businesses provide the most likely source of jobs for public assistance recipients who are leaving the welfare rolls . . .

Finally, the SBA must serve as a voice for America's small businesses. Principally, SBA will strive to broaden opportunities for the entire small business sector . . .

*Creating Opportunities for Small Business Success*  
*Message from the Administrator*

The Asset Sales Program will directly influence a number of the goals outlined by the Administrator. It is a tool for effectively managing the overall credit portfolio. Successful implementation of the program is likely to have positive effects on credit origination, servicing, and lender oversight.

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<sup>17</sup> Available online at <http://www.sba.gov/strategic/fy99/index.html>

<sup>18</sup> Available online at <http://www.sba.gov/strategic/fy99/index.html#administrator>

## ***Chapter 5 – Draft Asset Sales Program Strategic Plan***

SBA worked with outside consultants, the Office of Management and Budget, and the Financial Management Service of the Department of Treasury to draft a comprehensive strategic plan<sup>19</sup> to guide the design of the [Asset Sales Program](#).<sup>20</sup> It includes:

- Introduction to the SBA loan portfolio and the need for a sales program
- Recommended asset sales processes (from design through closing of the first transaction)
- Cost issues
- Priorities in selling SBA asset portfolios
- Policy issues in loan servicing

Since its completion in July, 1997, the draft plan has been the guide for SBA and its Asset Sales Team in building the framework and infrastructure necessary to support a major initiative at the Agency. The sales contractors will use the draft plan as a starting point in the implementation of the sales program. By the completion of the first sale, the design elements of the draft plan will have evolved into a plan of implementation, and a Design Book will have been created. This Design Book will serve as the “how to” book for all aspects of completing an asset sale at the SBA.

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<sup>19</sup> Available online at <http://www.sba.gov/assets/hilites.html>

<sup>20</sup> See the SBA Asset Sales Program website at <http://www.sba.gov/assets/>

## **Chapter 6 – Congressional Oversight**

The Congressional committees in the House and Senate with primary SBA oversight responsibilities are the *Committee on Small Business of the United States Senate*,<sup>21</sup> and the *Committee on Small Business of the U.S. House of Representatives*.<sup>22</sup>

### **Senate [Committee on Small Business](#)**

Jurisdiction:<sup>23</sup> Small Business Administration (SBA). Any legislation reported by the Committee which relates to matters other than the functions of the SBA, at the request of the chair of any standing committee having jurisdiction over the subject matter extraneous to the SBA's functions, is to be considered and reported by such standing committee prior to its consideration by the Senate. Likewise, measures reported by other committees directly relating to the SBA, at the request of the chair of the Committee on Small Business, are to be referred to the Committee for consideration of any portions of the measure dealing with the SBA, and are to be reported by the Committee prior to their consideration by the Senate. Study and survey by means of research and investigation all problems of American small business enterprises.

**Source: The Congressional Standing Committee System, Congressional Research Service, Library of Congress. Report 92-707 GOV. September 14, 1992.**

Subcommittees: None.

### Directory to Website Resources

Membership: <http://www.senate.gov/~sbc/members.html>

Pending Legislation: <http://www.senate.gov/~sbc/bills.html>

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<sup>21</sup> Senate Committee website is at [http://www.senate.gov/committee/small\\_business.html](http://www.senate.gov/committee/small_business.html)

<sup>22</sup> House Committee website is at <http://www.sba.gov/INV/sbaact.html>

<sup>23</sup> Available online at <http://www.senate.gov/~sbc/juris.html>

Hearing Schedule:     <http://www.senate.gov/~sbc/schedule.html>

## **House [Committee on Small Business](#)**

Jurisdiction:<sup>24</sup>

### **Subcommittee on Empowerment**

- Promotion of business growth and opportunities in economically depressed areas.
- Oversight and investigative authority over regulations and licensing policies that impact small businesses located in high-risk communities.
- General oversight of programs targeted toward urban relief.
- General promotion of business opportunities.

### **Subcommittee on Government Programs and Oversight**

- Small Business Act, Small Business Investment Act, and related legislation.
- Federal Government programs that are designed to assist business generally.
- Small Business Innovation and Research Program.
- Participation of small business in Federal procurement and Government contracts.
- Opportunities for minority and women-owned businesses, including the SBA's 8(a) program.
- Oversight and investigative authority generally.

### **Subcommittee on Regulatory Reform and Paperwork Reduction**

- Oversight and investigative authority over the regulatory and paperwork policies of all Federal departments and agencies.
- Regulatory Flexibility Act.
- Paperwork Reduction Act.
- Competition policy generally.

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<sup>24</sup> *Rules and Procedures of the Committee on Small Business, U.S. House of Representatives, 105<sup>th</sup> Congress.* Available online at <http://www.house.gov/smbiz/leg/105rules.html>

### **Subcommittee on Tax, Finance, and Exports**

- Tax policy and its impact on small business.
- Access to capital and finance issues generally.
- Export opportunities and promotion.

### Directory to Website Resources

Membership:            <http://www.house.gov/smbiz/members.html>

Pending Legislation:   <http://www.house.gov/smbiz/legislation.html>

Hearing Schedule:     <http://www.house.gov/smbiz/headlines.html>

### **SBA's Communications with Congress**

Recent testimony of the Agency's officials before Congressional committees is maintained on the Agency's website.

<http://www.sba.gov/regulations/testimony/>

The information on the website includes a description of the testimony, Congressional committee, official testifying, and date of testimony.

## **Chapter 7 – Loan Program Subsidy Costs**

Credit reform is a major factor in the implementation of all federal agency loan sales programs. Loans that were originated pursuant to government credit programs have a “value to government” assuming historical collection performance. A loan sale price that is *less than* the value to government is viewed as a cost to the Agency that must be funded. Conversely, a loan sale price that is *more than* the value to government is viewed as “profit” that can be appropriated to certain costs. The loan sales price becomes part of the historical collection performance. If the sales price is *less than* historical collections, that will work to *increase* the subsidy costs, which *decreases* the amount of new loans that can be originated given a certain appropriation from Congress. The reverse is also true – the sales price that is *more than* historical collections will work to *decrease* subsidy costs, which *increases* the amount of new loans that can be originated.

The [\*FY2000 Budget of the United States, Federal Credit Supplement\*](#)<sup>25</sup> records the estimated costs and historical volumes of the SBA direct and guaranteed loan programs. Readers will be particularly interested in four tables:

- Table 1: Direct Loan Subsidies<sup>26</sup>
- Table 2: Guaranteed Loan Subsidies<sup>27</sup>
- Table 9: Direct Loan Transactions<sup>28</sup>
- Table 10: Guaranteed Loan Transactions<sup>29</sup>

The following four pages, excerpted from the *FY2000 Federal Credit Supplement*, contain references to the SBA direct and guaranteed loans.

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<sup>25</sup> Available online at <http://www.access.gpo.gov/usbudget/fy2000/pdf/credit.pdf>

<sup>26</sup> *FY2000 Budget of the United States, Federal Credit Supplement*, p3.

<sup>27</sup> *FY2000 Budget of the United States, Federal Credit Supplement*, p7.

<sup>28</sup> *FY2000 Budget of the United States, Federal Credit Supplement*, p44.

<sup>29</sup> *FY2000 Budget of the United States, Federal Credit Supplement*, p48.

**Table 1.—DIRECT LOANS: SUBSIDY RATES, OBLIGATIONS, AND AVERAGE LOAN SIZE**  
(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	FY 1999			FY 2000		
		Subsidy rate (percent)	Obligations	Average loan size	Subsidy rate (percent)	Obligations	Average loan size
<b>Small Business Administration</b>							
<b>General Business Loan Programs:</b>							
Section 7(m) Microloans.....	Discretionary	9.54	30,617	251	8.54	60,000	343
<b>Disaster Loan Program:</b>							
Disaster Assistance.....	Discretionary	22.36	<sup>7</sup> 1,132,000	20	22.20	<sup>7</sup> 934,000	17

<sup>7</sup> Assumes the use of unreleased contingent emergency loan subsidy appropriations. The FY 2000 Budget includes details of spending within the discretionary caps only. The Budget also contains an allowance for contingent emergency appropriations. Loan volume from emergency funding equals \$318 million in FY 1999 and \$712 million in FY 2000.

**Table 2.--LOAN GUARANTEES: SUBSIDY RATES, COMMITMENTS, AND AVERAGE LOAN SIZE**  
(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	FY 1999			FY 2000		
		Subsidy rate (percent)	Commitments	Average loan size	Subsidy rate (percent)	Commitments	Average loan size
<b>Small Business Administration</b>							
General Business Loan Programs:							
Section 7(a) General Business Guaranty (current law).....	Discretionary	1.39	10,000,000	177	1.16	10,500,000	163
Section 7(a) General Business Guaranty (legislative proposal).....	Discretionary	.....	.....	.....	<sup>8</sup> 0.35	.....	.....
Section 7(a) General Business Guaranty - DELTA.....	Discretionary	2.08	<sup>9</sup> 102,000	515	1.83	50,000	400
Section 504 Certified Development Companies Program.....	Discretionary	.....	3,500,000	693	.....	3,500,000	661
Section 504 Certified Development Companies - DELTA.....	Discretionary	1.29	<sup>9</sup> 18,000	409	1.13	4,300	98
Section 7(m) Microloan Guaranty.....	Discretionary	7.97	11,996	522	8.32	16,997	680
SBIC - Debentures.....	Discretionary	1.38	640,000	3,616	.....	800,000	3,265
SBIC - Participating Securities.....	Discretionary	2.19	800,000	5,714	1.80	1,500,000	6,944
New Markets Venture Capital (legislative proposal).....	Discretionary	.....	.....	.....	15.00	100,000	10,000

<sup>8</sup> Reflects change from current law.

<sup>9</sup> The Defense Loan and Technical Assistance (DELTA) program provides credit to small businesses adversely affected by military base closings.

**TABLE 9.--DIRECT LOAN TRANSACTIONS FOR SELECTED ACCOUNTS, 1992-1998**  
(in millions of dollars)

Credit program and type of transaction	Year						
	1992	1993	1994	1995	1996	1997	1998
<b>SBA -- Business loans</b>							
Obligations.....	75	76	56	23	9	24	10
Loan Disbursements.....	1,355	538	758	853	764	628	499
Changes in Outstandings.....	-69	173	-303	-112	-184	-326	-832
Outstandings.....	3,983	4,156	3,853	3,741	3,557	3,231	2,399
<b>SBA -- Disaster loans</b>							
Obligations.....	782	1,419	3,806	1,311	867	961	639
Loan Disbursements.....	433	1,132	2,003	1,893	947	907	595
Changes in Outstandings.....	-15	645	1,522	1,295	238	182	-228
Outstandings.....	3,205	3,850	5,372	6,667	6,905	7,087	6,859

**TABLE 10.--LOAN GUARANTEE TRANSACTIONS FOR SELECTED ACCOUNTS, 1992-1998**  
 (in millions of dollars)

Credit program and type of transaction	Year						
	1992	1993	1994	1995	1996	1997	1998
<b>SBA -- Business loans</b>							
Commitments.....	6,657	7,696	9,532	10,636	11,023	11,778	10,970
New Guaranteed Loans.....	5,049	6,034	7,531	9,270	6,774	10,673	9,672
Changes in Outstandings.....	2,120	2,903	3,744	4,958	2,357	4,273	2,287
Outstandings.....	16,977	19,880	23,624	28,582	30,939	35,212	37,499

## **Chapter 8 – News Releases**

The SBA website (<http://www.sba.gov/news/>) contains recent and archived news releases, speeches by SBA officials, disaster updates, and other publications of interest to the readers. A directory to the website information follows:

- **Headline News**                    <http://www.sba.gov/news/>  
*Detailed descriptions of recent press releases and links to older releases from this year and prior years.*
- **Speeches**                            <http://www.sba.gov/news/indexspeeches.html>  
*Speeches by the SBA Administrator and key staff at events around the country.*
- **Disaster Updates**                <http://www.sba.gov/news/indexdisaster.html>  
*A state-by-state listing of open declarations of natural disasters.*

The SBA Office of Communications and Public Liaison maintains a *Press Office* website at <http://sba.gov/opc/> and can be contacted at:

Small Business Administration  
409 3rd Street, S.W., Suite 7600  
Washington, D.C. 20416  
Voice: 202-205-6740  
Fax: 202-205-6901 / 6913  
Email: [press\\_office@sba.gov](mailto:press_office@sba.gov)

## Section 2: Loan Programs

### Chapter 9 – Guaranteed and Direct Loans

#### Introduction

SBA loans are originated in two ways: *direct loans* from the Agency and *guaranteed loans* from private lenders. Direct loan funding is essentially limited to the Disaster Loan Program and the Microloan Program. All other loan programs are administered through private lenders by guarantees from the SBA. The chart below demonstrates that the largest volume of SBA loans, by far, are guaranteed loans – 87% of FY1997 disbursements and 89% of FY1998, and 77% of FY1997 outstanding balances and 80% of FY1998.

#### Direct and Guaranteed Loans Disbursed and Outstanding<sup>30</sup> Fiscal Years 1997 and 1998

Loan Type	Fiscal Year 1997 (in millions of dollars)	Fiscal Year 1998 (in millions of dollars)
<b><i>Direct</i> Business Loans:</b>		
Disbursed	\$628	\$499
Outstanding Balances	\$3,231	\$2,399
<b><i>Direct</i> Disaster Loans:</b>		
Disbursed	\$907	\$595
Outstanding Balances	\$7,087	\$6,859
<b><i>Guaranteed</i> Loans:</b>		
Disbursed	<sup>31</sup> \$10,673	<sup>32</sup> \$9,672
Outstanding Balances	\$35,212	\$37,499

<sup>30</sup> Source: FY2000 Budget of the United States, Federal Credit Supplement

<sup>31</sup> Disbursements were \$10.6 billion and commitments were \$11.7 billion.

<sup>32</sup> Disbursements were \$9.6 billion and commitments were \$10.9 billion.

## **Servicing Roles and Guaranty Percentages**

*Direct loans* are made and serviced by the SBA. Chapter 18 of this Source Book provides an overview of the office structure for servicing the various types of loans. *Guaranteed loans* are made and serviced by private lenders. Generally SBA guarantees 80% of loans for \$100,000 or less and 75% of loans greater than \$100,000 principal balance.

For loans originated before October 1, 1997, private lenders put defaulted loans back to SBA and seek reimbursement from SBA for the guaranteed amount. For loans originated after that date, most private lenders are required to service defaulted loans through liquidation. The lender then seeks payment of the guaranty on the amount of loss.

The percentage guaranty and the private lender servicing responsibilities have not always been as they are today. The outstanding guaranty portfolio has various SBA guaranty percentages and various servicing arrangements. The most notable servicing difference is:

- (a) whether the private lender *must* liquidate defaulted loans and seek payment of the SBA guaranty on the resulting loss; or,
- (b) whether the private lender *can* seek payment of the SBA guaranty when the loan reaches a certain state of default, and upon honoring the guaranty, returns the loan to SBA for servicing and possible liquidation.

Guarantees as described in (b) above created a servicing burden for SBA and led to changes in private lender servicing responsibilities. This also fueled the need for a loan sales program.

The loans in the Asset Sales Program will be of two types:

- Direct loans made by the SBA.
- Loans made by private lenders that upon default were assigned to SBA in exchange for SBA's payment of the guaranty.

## **Certified and Preferred Lenders, and Certified Development Companies**

<sup>33</sup>The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA.

**Certified lenders** (CLP) are those who have been heavily involved in regular SBA Section 7(a) loan-guaranty processing and meet certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround by the SBA on their applications (they may also use regular SBA loan processing). Certified lenders account for nearly one-third of all SBA business loan guaranties.

**Preferred lenders** (PLP) are chosen from among the SBA's best Section 7(a) lenders and enjoy full delegation of lending.<sup>34</sup> This lending authority must be renewed at least every two years, and the SBA examines the lender's portfolio periodically. Preferred loans account for more than 10 percent of SBA guaranties.

<sup>35</sup>A **Certified Development Company** (CDC) is a nonprofit corporation set up to contribute to the economic development of its community or region. CDCs work with the SBA and private-sector lenders to provide Section 504 financing to small businesses. There are about 290 CDCs nationwide. Each CDC covers a specific area. CDCs make loans under the *504 Program*, which provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings.

Typically, a Section 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped. The maximum SBA debenture generally is \$750,000 (up to \$1 million in some cases).

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<sup>33</sup> Excerpt from SBA's website, <http://www.sbaonline.sba.gov/financing/lender.html>

<sup>34</sup> Reflects updated information obtained from SBA staff.

<sup>35</sup> Excerpt from SBA's website, <http://www.sbaonline.sba.gov/financing/frcdc504.html>

**Top Section 7(a) Lenders (Business Loans)**

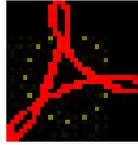
There are an estimated 4,000 lenders participating in SBA loan programs. A 1998 study indicated that the top 25 lenders accounted for approximately 33% of the loan volume; the top 50 lenders, approximately 50%; the top 75 lenders, approximately 60%; and the top 100 lenders, approximately 66%. The Top 25 lenders for fiscal year 1997 appear on the following page and these were all CLP or PLP lenders.

As of March 31, 1998, the 7(a) lenders with the most loan approvals (by dollar amount) were:<sup>36</sup>

<b>RANK Through 2<sup>nd</sup> Quarter of Fiscal 1998</b>	<b>Lender</b>	<b>RANK in Fiscal 1997</b>
1	Money Store Investment Corporation	1
2	AT&T Small Business Lending Corporation	2
3	Heller First Capital Corporation	7
4	Bank of Commerce	16
5	Banco Popular (Illinois)	not in Top 25
6	Wilshire State Bank	not in Top 25
7	GE Capital Small Business Financing Corp.	not in Top 25
8	First National Bank (New England)	not in Top 25
9	America Federal Savings Bank	not in Top 25
10	Independence Funding Company LLC	not in Top 25

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<sup>36</sup> Extracted from SBA's "Top 100 Bank Ranking – 7(a) Guaranty Loan Program" as of March 31, 1998.



Acrobat Document

**Top 25 Section 7(a) Lenders (Business Loans)**

## Chapter 10 – Loan Portfolio Characteristics

### Business Loan Portfolio

The SBA business loan portfolio (excluding disaster loans) is large and diverse, numbering more than 200,000 loans with an outstanding principal balance in excess of \$55 billion (including the non-guaranteed portion), at the close of fiscal 1997.

### **SBA Business Loan Portfolio Profile** **(Disaster Loans not included)** **As of September 30, 1997**

Dollars in millions  
Numbers are actual

Business Type	Direct Loans		Guaranteed Loans <sup>37</sup>		Total Loans	
	<i>Number</i>	<i>Dollars</i>	<i>Number</i>	<i>Dollars</i>	<i>Number</i>	<i>Dollars</i>
Agriculture	150	\$ 14	6,414	\$ 1,639	6,564	\$ 1,653
Mining	7	-	421	111	428	112
Construction	121	11	10,396	2,228	10,517	2,239
Manufacturing	307	30	27,759	10,613	28,066	10,643
Transportation	113	10	6,234	1,834	6,347	1,844
Wholesale Trade	170	16	16,184	5,761	16,354	5,777
Retail Trade	1,157	93	61,404	14,168	62,561	14,261
Finance/Ins/RE	35	3	2,885	681	2,920	684
Services	1,317	140	67,041	18,463	68,358	18,603
Other	7	-	221	56	228	56
Not Classified	18	2	468	91	486	93
<b>TOTAL</b>	<b>3,402</b>	<b>\$ 321</b>	<b>199,427</b>	<b>\$ 55,649</b>	<b>202,829</b>	<b>\$ 55,970</b>

Totals may not add due to rounding.

<sup>37</sup> The dollars shown are the total loan amount. The total amount guaranteed by SBA was \$35.8 billion.

The gross dollars of guaranteed loans are approximately \$55 billion, as reported in the chart. The SBA guaranty amounts to \$35 billion or 64 percent. The total SBA exposure in the business loan portfolio is \$36 billion and the average amount per loan is just under \$200,000.

### **Disaster Loan Portfolio**

The SBA disaster loan portfolio includes over 276,000 direct loans to homeowners, renters, and non-farm businesses, including non-profit institutions. As of FY1998, the outstanding principal balance of these loans totaled almost \$7 billion. The number and geographic concentration of loan originations varies with the incidence and size of disasters occurring throughout the United States and its territories. From FY1995 to FY1998, SBA originated an average of 40,000 loans of just more than \$1 billion every year. The average size of these loans varied with loan type: home loans averaging \$18,000 and business loans averaging \$48,500 each. The average loan term was approximately 17 years.

## **SBA Disaster Loan Portfolio Profile**

**As of September 30, 1998**

**Dollars in millions**  
**Numbers are actual**

<b>Loan Type</b>	<b>Number</b>	<b>Dollars</b>
Home	204,491	\$ 3,275
Business	68,277	\$ 3,480
Farm	3,919	\$ 161
<b>TOTAL</b>	<b>276,687</b>	<b>\$6,916</b>

**Chapter 11 – Active Loan Programs: Quick Reference Chart**

Program	Purpose	Maximum Amount Guaranteed <sup>38</sup>	Maximum Percent Guaranteed	Maximum Terms	Maximum Interest Rates <sup>39</sup>
<a href="#"><u>7(a) Regular Business Loan Program</u></a>  <b><i>Guaranteed</i></b>	<i>Primary</i> program for assisting small businesses with needs for working capital, and purchasing business assets, including real estate; implemented through private lenders.	\$750,000  (in most cases)	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5-10 years on working capital</li> <li>▪ 25 years on equipment and real estate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>
<a href="#"><u>504 Certified Development Company Program</u></a>  <b><i>Guaranteed</i></b>	Long term, fixed asset financing, with requirement for job creation or retention; processed and serviced through nonprofit development companies.	\$750,000  (up to \$1,000,000 in some cases)	40% of total project costs by 100% SBA-guaranteed debenture	10 or 20 years only	Fixed rate based on the market rate for 5-year and 10-year U.S. Treasury issues, plus an increment.
<a href="#"><u>SBA LowDoc</u></a>  <b><i>Guaranteed</i></b>	Simplifies the lender's application process so that smaller loans can be approved within 36 hours of SBA receiving a complete application.	Maximum loan is \$150,000	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5-10 years on working capital</li> <li>▪ 25 years on equipment and real estate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>

<sup>38</sup> This column denotes the guaranteed amount and in some cases, the maximum loan amount.

<sup>39</sup> References to the prime rate mean the lowest rate published in *The Wall Street Journal*.

Program	Purpose	Maximum Amount Guaranteed <sup>38</sup>	Maximum Percent Guaranteed	Maximum Terms	Maximum Interest Rates <sup>39</sup>
<p style="text-align: center;"><a href="#"><u>SBAExpress</u></a> <i>replaces the FA\$TRAK Program</i>  <i><b>Guaranteed</b></i></p>	<p>Allows private lenders to use mostly their own forms and processes to provide faster loan approvals to businesses for smaller SBA loans.</p>	<p>Maximum loan is \$150,000</p>	<p style="text-align: center;">50%</p>	<ul style="list-style-type: none"> <li>▪ 5 years on revolving line of credit</li> <li>▪ 5-10 years on working capital</li> <li>▪ 25 years on equipment and real estate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Prime + 4.75% for small loans</li> </ul>
<p style="text-align: center;"><a href="#"><u>CAIP</u></a> <b>U.S. Community Adjustment and Investment Program</b>  <i><b>Guaranteed</b></i></p>	<p>Help communities that suffered job losses due to changing trade patterns with Mexico and Canada as a result of NAFTA.</p>	<p style="text-align: center;">\$750,000</p>	<p style="text-align: center;">75%</p>	<ul style="list-style-type: none"> <li>▪ 5 years on revolving line of credit</li> <li>▪ 5-10 years on working capital</li> <li>▪ 25 years on equipment and real estate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>
<p style="text-align: center;"><a href="#"><u>CAPLines Program</u></a>  <i><b>Guaranteed</b></i></p>	<p>Helps small business meet short term and cyclical working capital needs, with a Seasonal Line, Contract Line, Builders Line, Standard Asset-Based Line, and a Small Asset-Based Line.</p>	<p style="text-align: center;">\$750,000  except for the <b>Small Asset-Based Line</b>, which has a \$200,000 maximum total loan amount</p>	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	<p style="text-align: center;">Up to 5 years</p>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>

**DRAFT** Asset Sales Source Book for Contractors and Investors, Version 3  
Section Two: Loan Programs

Program	Purpose	Maximum Amount Guaranteed <sup>38</sup>	Maximum Percent Guaranteed	Maximum Terms	Maximum Interest Rates <sup>39</sup>
<a href="#">International Trade Loan Program</a> <a href="#">Guaranteed</a>	Financing for the small business preparing to engage in, or already engaged in, international trade; or one that is adversely affected by competition from imports.	\$1,000,000  and up to \$1,250,000 in conjunction with an <b>Export Working Capital Loan</b>	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>▪ Up to 3 years for working capital</li> <li>▪ Up to 25 years on facilities or equipment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>
<a href="#">Export Working Capital Program</a>  <i><b>Guaranteed</b></i>	SBA and the Export-Import Bank jointly offer short-term working capital financing to exporters.	\$750,000  and up to \$1,250,000 in conjunction with an International Trade Loan	90%	Matches a single transaction cycle; generally 1 year for a line of credit	No maximum
<a href="#">Pollution Control Loan Program</a>  <i><b>Guaranteed</b></i>	Financing for the planning, design, or installation of a pollution control facility.	\$1,000,000	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	Up to 25 years on facilities or equipment	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>

**DRAFT Asset Sales Source Book for Contractors and Investors, Version 3**  
**Section Two: Loan Programs**

Program	Purpose	Maximum Amount Guaranteed <sup>38</sup>	Maximum Percent Guaranteed	Maximum Terms	Maximum Interest Rates <sup>39</sup>
<p style="text-align: center;"><a href="#"><u>DELTA Defense Loan and Technical Assistance Program</u></a>  <i>Guaranteed</i></p>	<p>SBA and the Dept. of Defense jointly offer financial and technical assistance to defense-dependent small firms adversely affected by cutbacks in federal defense spending.</p>	<p>Maximum loan is \$1,250,000 under 7(a); and \$1,000,000 under 504</p>	<p>For 7(a):  <ul style="list-style-type: none"> <li>▪ 80%</li> </ul> <p>For CDC:  <ul style="list-style-type: none"> <li>▪ 100% of debenture, (40% of loan amount)</li> </ul> </p> </p>	<p>For 7(a):  <ul style="list-style-type: none"> <li>▪ 5-7 years for working capital</li> <li>▪ Up to 25 years on facilities or equipment</li> </ul> <p>For CDC:            10-20 years</p> </p>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>
<p style="text-align: center;"><a href="#"><u>Prequalification Loan Program</u></a>  <i>Guaranteed</i></p>	<p>Assists minorities, women, veterans, exporters, and certain other specially-designated markets, in developing loan application packages and securing loans.</p>	<p>Generally, \$250,000 maximum loan amount</p>	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5-10 years on working capital</li> <li>▪ 25 years on equipment and real estate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>
<p style="text-align: center;"><a href="#"><u>Qualified Employee Trusts Loan Program</u></a>  <i>Guaranteed</i></p>	<p>Assist ESOPs in purchasing employer securities or a controlling interest in the employer.</p>	<p>\$750,000</p>	<ul style="list-style-type: none"> <li>▪ 75% on loans over \$100,000</li> <li>▪ 80% on loans of \$100,000 or less</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5-10 years on working capital</li> <li>▪ 25 years on equipment and real estate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prime + 2.25% on loans less than 7 years</li> <li>▪ Prime + 2.75% on loans more than 7 years</li> <li>▪ Higher rates for loans of \$50,000 or less</li> </ul>

**DRAFT Asset Sales Source Book for Contractors and Investors, Version 3**  
**Section Two: Loan Programs**

Program	Purpose	Maximum Amount Guaranteed <sup>38</sup>	Maximum Percent Guaranteed	Maximum Terms	Maximum Interest Rates <sup>39</sup>
<a href="#">Microloan Program</a>  <b><i>Direct to Intermediaries</i></b>	Funds intermediaries, who make loans to women, low income individuals, minority entrepreneurs, and other small businesses which need small amounts of capital. Intermediaries also provide business-based technical assistance as a part of the loan-making process.	Intermediaries: Up to \$750,000 in maximum <b>direct</b> loans for first year; up to \$3,500,000 in subsequent years  Micro-Borrowers: Loan amounts up to \$25,000	<b>Not guaranteed</b>	Intermediaries: Up to 10 years  Micro-Borrowers: Up to 6 years	Intermediaries: 5-year Treasury obligations adjusted to nearest 1/8 <sup>th</sup> percent less 1.25 percent <sup>40</sup>  Borrowers: Up to 8.5 percent over Intermediary's cost of borrowing
<a href="#">Disaster Loan Program: Personal Property Loan</a>  <b><i>Direct</i></b>	Help homeowners or renters repair or replace personal property.	\$40,000 <b>direct</b> maximum loan	<b>Not guaranteed</b>	Up to 30 years	Able to get credit: No more than 8%  Unable to get credit: No more than 4%
<a href="#">Disaster Loan Program: Real Property Loan</a>  <b><i>Direct</i></b>	Help homeowners repair or restore their primary home to its pre-disaster condition.	\$200,000 <b>direct</b> maximum loan	<b>Not guaranteed</b>	Up to 30 years	Able to get credit: No more than 8%  Unable to get credit: No more than 4%
<a href="#">Disaster Loan Program:</a>	Help small businesses that	\$1,500,000	<b>Not guaranteed</b>	Up to 30 years	No more than 4%

<sup>40</sup> Specialized intermediaries are charged an interest rate that is .75 percent less than this rate.

Program	Purpose	Maximum Amount Guaranteed <sup>38</sup>	Maximum Percent Guaranteed	Maximum Terms	Maximum Interest Rates <sup>39</sup>
<a href="#">Economic Injury Business Loans</a>  <i>Direct</i>	suffered substantial economic injury, regardless of physical damage, as a result of a disaster.	<b>direct</b> maximum loans in the aggregate between this and <b>Physical Disaster Business loans</b>			
<a href="#">Disaster Loan Program: Physical Disaster Business Loans</a>  <i>Direct</i>	Help large and small businesses that suffered physical damage as a result of a disaster.	\$1,500,000 <b>direct</b> maximum loans in the aggregate between this and <b>Economic Injury Business loans</b>	<b>Not guaranteed</b>	Able to get credit: Up to 3 years  Unable to get credit: Up to 30 years	Able to get credit: Lesser of 8% or the comparable rate charged by private lenders  Unable to get credit: No more than 4%

**Chapter 12 – Primary Loan Programs**

**Overview of the Three Primary Delivery Mechanisms**

SBA has three primary programs to service small businesses. Private lenders deliver the largest program, Section 7(a) Regular Business Loans, which have a percentage of guaranty by SBA. Certified Development Companies (CDCs) provide Section 504 loans with SBA guaranties. And SBA makes the Disaster Loans on a direct basis.

<p><b>7(a) Regular Business Loans</b></p> <p>As of 09/30/97, the outstanding balance of SBA 7(a) loans was <u>\$36 billion</u> and the SBA guaranteed portion was <u>\$28 billion</u>.</p>	<ul style="list-style-type: none"> <li>• Loans <u>made and serviced by private lenders</u>.</li> <li>• SBA <u>guarantees</u> up to 80%.</li> </ul>
<p><b>504 Loans</b></p> <p>As of 09/30/97, the outstanding balance of SBA 504 loans was <u>\$18 billion</u> and the SBA guaranteed portion was <u>\$7 billion</u>.</p>	<ul style="list-style-type: none"> <li>• Loans <u>made and serviced by CDCs</u>.</li> <li>• Private lender has a first lien and loans up to 50%; the CDC has a junior lien and loans up to 40%; and borrower makes a minimum 10% contribution.</li> <li>• SBA <u>guarantees</u> 100% of a debenture backing the CDC junior lien.</li> </ul>
<p><b>Disaster Loans (Personal and Business)</b></p> <p>As of 09/30/97, the outstanding balance of SBA disaster loans was <u>\$7 billion</u>.</p>	<ul style="list-style-type: none"> <li>• Loans <u>made and serviced by SBA</u>.</li> </ul>

SBA made approximately \$12 billion in new loans in FY 1998: Section 7(a) loans of \$9 billion, Section 504 loans of almost \$2 billion, Disaster loans of \$700 million, and all other loans of about \$200 million.

## **7(a) Regular Business Loan Program**

### Introduction.<sup>41</sup>

The 7(a) Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans that are, in turn, guaranteed by the SBA -- the Agency has no funds for direct lending or grants.

### Loan Limits.

For most SBA loans there is no legislated limit to the total amount of the loan that may be requested from the lender. However, the maximum amount the SBA can guaranty is generally \$750,000. Thus, with a lender requesting the maximum SBA guaranty of 75 percent, the total loan amount available under this program generally would be limited to \$1 million. However, there are some exceptions as presented in the discussion of specialized loan programs in Chapter 13.

### Eligibility.

Eligibility is based on the type and size of the business. The vast majority of businesses are eligible for financial assistance from the SBA. However, applicant businesses must operate for profit; be engaged in, or propose to do business in, the United States or its possessions; have reasonable owner equity to invest; and, use alternative financial resources first including personal assets. It should be noted that some businesses are ineligible<sup>42</sup> for financial assistance. As to the *size of the business*, the *Small Business Act* defines an eligible small business as one that is independently owned and operated and not dominant in its field of operation. The Act also states that in determining what is a small business, the definition shall vary from industry to industry to adequately reflect industry differences. The SBA has therefore developed size standards that define the maximum size of an eligible small business. The business size regulations are at 13 CFR Part 121.<sup>43</sup>

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<sup>41</sup> <http://www.sba.gov/financing/fr7aloan.html#general>

<sup>42</sup> More information on ineligible businesses is available at <http://www.sba.gov/financing/fr7aloan.html#ineligible>

<sup>43</sup> <http://www.sba.gov/regulations/121ind.html>

<b><u>Industry</u></b>	<b><u>Size</u></b>
<b>Retail and Service</b>	<b>\$3.5 to \$13.5 million</b>
<b>Construction</b>	<b>\$7.0 to \$17.0 million</b>
<b>Agriculture</b>	<b>\$0.5 to \$3.5 million</b>
<b>Wholesale</b>	<b>No more than 100 employees</b>
<b>Manufacturing</b>	<b>500 to 1,500 employees</b>

### Loan Terms.

SBA loan programs are generally intended to encourage longer term small business financing but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. Maximum loan maturities have been established: 25 years for real estate and equipment; and, generally 7 years for working capital.

Loans for working capital purposes will not exceed 7 years, except when a longer maturity (up to 10 years) may be needed to ensure repayment. The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated,<sup>44</sup> the 25-year maximum would be in addition to the time needed to complete construction.

### Interest Rates.

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

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<sup>44</sup>Significant renovation means construction of at least one-third of the current value of the property.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

## **504 Loan Program**

### Introduction.<sup>45</sup>

The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A CDC is a nonprofit corporation set up to contribute to the economic development of its community or region. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 290 CDCs nationwide,<sup>46</sup> each covering a specific area.

### Arrangement between Lender, CDC, and SBA.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

### Loan Limits.

The maximum SBA debenture generally is \$750,000 (up to \$1 million in some cases). The program is designed to enable small businesses to create and retain jobs; the CDC's portfolio must create or retain one job for every \$35,000 provided by the SBA.

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<sup>45</sup> <http://www.sba.gov/financing/frcdc504.html>

<sup>46</sup> A state-by-state listing of CDCs can be found at <http://www.sba.gov/gopher/Local-Information/Certified-Development-Companies/>

Eligibility.

To be eligible, the business generally must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, the business qualifies as small if it does not have a tangible net worth in excess of \$6 million and does not have an average net income in excess of \$2 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

Loan Terms, Interest Rates, and Fees.

Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan.

**Disaster Loan Program**

SBA offers financial assistance to those who are trying to rebuild their homes and businesses, in the aftermath of a disaster, through the Disaster Loan Program. By offering low-interest loans, the SBA is committed to long-term recovery efforts. The agency will do everything possible to meet the needs of those otherwise unable to put their lives back together.<sup>47</sup>

The Disaster Assistance Office maintains a website at

<http://www.sba.gov/DISASTER/>

and can be contacted by email at [disaster.assistance@sba.gov](mailto:disaster.assistance@sba.gov)

There are four Disaster Area Offices: Niagara Falls, Atlanta, Fort Worth, and Sacramento. These offices originate disaster loans and service those loans until they are fully disbursed.<sup>48</sup>

<b>Niagara Falls, NY</b>	<b>Atlanta, GA</b>
<b>Fort Worth, TX</b>	<b>Sacramento, CA</b>

<sup>47</sup> <http://www.sba.gov/DISASTER/mission.html>

<sup>48</sup> SBA offices and servicing centers for all loan types are identified in Section Three, Chapter 19 of this Source Book.

### Assistance Available to the Individual.

One basic disaster loan, with two purposes, is available:<sup>49</sup>

*Personal Property Loan:* This loan can provide a homeowner or renter with up to \$40,000 to help repair or replace personal property, such as clothing, furniture, automobiles, etc., lost in the disaster. As a rule of thumb, personal property is anything that is not considered real estate or a part of the actual structure. This loan may not be used to replace extraordinarily expensive or irreplaceable items, such as antiques, collections, pleasure boats, recreational vehicles, fur coats, etc.

*Real Property Loan:* Homeowners may apply for a loan of up to \$200,000 to repair or restore their primary home to its pre-disaster condition. The loan may not be used to upgrade the home or make additions to it. If, however, city or county building codes require structural improvements, the loan may be used to meet these requirements. Also, loans may be increased by as much as 20 percent to protect the damaged real property from possible future disasters of the same kind.

*Insurance Proceeds:* If the homeowner or renter (in the case of personal property loans) has insurance coverage on personal property and/or the home, the amount received from the insurance company will be deducted from the total damage to the property in order to determine the amount for which the individual is eligible to apply to the SBA.

If the homeowner is required to apply insurance proceeds against an outstanding mortgage, the amount applied can be included in the disaster loan. If, however, the homeowner voluntarily applies insurance proceeds against an outstanding mortgage, the amount applied cannot be included in the disaster loan. If a settlement has not been made or there is a dispute with the insurance company, the homeowner may apply for a loan in the full amount of the damages and assign any insurance proceeds to be received to the SBA.

### Loan Terms.

The maximum maturity, or repayment term of an SBA loan, is set at 30 years. However, the SBA will determine repayment terms on a case-by-case basis according to the individual's ability to repay.

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<sup>49</sup> The Disaster Loan brochure for homes and personal property can be found at <http://www.sba.gov/gopher/Disaster/Disaster-Home-Loans/homeall.txt>

### Interest Rates.

The law requires a test of the ability to obtain funds elsewhere in order to determine the rate of interest that will be charged on the loan. This credit-elsewhere test applies to applicants for both personal property and real property loans.

*Applicant Able to Obtain Credit Elsewhere:* The interest rate to be charged is based on the cost of money to the U.S. government, but will not be more than 8 percent per year.

*Applicant Unable to Obtain Credit Elsewhere:* The interest rate to be charged will be half of the interest rate charged to applicants determined to be able to obtain credit elsewhere, but will not be more than 4 percent per year.

### Assistance Available to Small Businesses.

There are two kinds of disaster loans for small businesses: Economic Injury and Physical Disaster.

**Economic Injury Disaster Loans:**<sup>50</sup> If the small business has suffered substantial economic injury, regardless of physical damage, as a result of a disaster, it may be eligible for financial assistance.

**Physical Disaster Business Loans:**<sup>51</sup> If the business -- large or small -- has suffered physical damage as a result of a disaster, it may be eligible for financial assistance.

The chart following on the next page highlights the loan criteria for the two types of business disaster loans.

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<sup>50</sup> The Disaster Loan Brochure for Economic Injury Loans can be found at <http://www.sba.gov/gopher/Disaster/Economic-Injury-Disaster-Loans/eidlall.txt>

<sup>51</sup> The Disaster Loan Brochure for Physical Disaster Loans can be found at <http://www.sba.gov/gopher/Disaster/Disaster-Business-Loans/pdall.txt>

<b><i>Economic Injury Disaster Loans</i></b>	<b>Criteria</b>	<b><i>Physical Disaster Business Loans</i></b>
Up to \$1.5 million (Economic Injury and Physical Damage loans combined)	<b>Loan Limits</b>	Up to \$1.5 million (Economic Injury and Physical Damage loans combined)
<ul style="list-style-type: none"> <li>• Small businesses and small agricultural cooperatives that have suffered substantial economic injury resulting from a physical disaster or an agricultural production disaster designated by the Secretary of Agriculture.</li> <li>• The business must be unable to obtain credit elsewhere.</li> </ul>	<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Any business that is located in a declared disaster area and has incurred damage during the disaster may apply for a loan to help repair or replace damaged property to its pre-disaster condition.</li> </ul>
Not more than 30 years	<b>Loan Terms</b>	<p><b><i>Unable To Obtain Credit Elsewhere:</i></b></p> <p>Not more than 30 years</p> <p><b><i>Able To Obtain Credit Elsewhere:</i></b></p> <p>Not more than 3 years.</p>
Not more than 4 percent per year	<b>Interest Rates</b>	<p><b><i>Unable To Obtain Credit Elsewhere:</i></b></p> <p>Not more than 4 percent per year.</p> <p><b><i>Able To Obtain Credit Elsewhere:</i></b></p> <p>Not more than the interest rate being charged in the private market at the time of the physical disaster, or 8 percent, whichever is less.</p>

## ***Chapter 13 – All Other Loan Programs***

SBA offers many other loan programs that are targeted to groups or industries. The following section highlights the features of each active program. In addition, inactive programs are included if loans under those programs remain in the portfolio.

### **SBALowDoc**

#### [Introduction.](#)<sup>52</sup>

SBA launched *LowDoc* as a pilot program in 1993 to simplify the loan application process for small businesses. The new *SBALowDoc* goes even further: it increases the loan amount to \$150,000; allows an SBA guarantee of up to 80 percent for smaller loans; and calls for a response from SBA within 36 hours of receiving a complete application.

#### Loan Limits.

The maximum loan amount is \$150,000. SBA guarantees up to 80 percent for loans \$100,000 or less, and up to 75 percent for loans over \$100,000.

#### Eligibility.

A business is generally eligible for *SBALowDoc* if

- The purpose of the loan is to start or grow a business;
- The existing business has average annual sales for the preceding three years not exceeding \$5 million, and the business employs no more than 100 people, including affiliates;
- The business and its owners have good credit; and
- The business owners are of good character.

#### Loan Terms.

*SBALowDoc* follows the 7(a) policy for regular business loans.

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<sup>52</sup> Program information available online at <http://www.sba.gov/financing/frlowdoc.html>

Loans for working capital purposes will not exceed 7 years, except when a longer maturity (up to 10 years) may be needed to ensure repayment. The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated, the 25-year maximum would be in addition to the time needed to complete construction. (Significant renovation means construction of at least one-third of the current value of the property.)

### Interest Rates.

*SBALowDoc* rates are negotiated between the borrower and lender, may be fixed or variable, are tied to the prime rate (as published in the *Wall Street Journal*), and may not exceed the following maximum rates:

- 2.25 percent over the prime rate for loans of less than 7 years; and
- 2.75 percent over the prime rate for loans of 7 years or more.

Loans under \$50,000 may be subject to slightly higher rates.

## **SBAExpress**

### Introduction.<sup>53</sup>

*SBAExpress* replaces the *FA\$TRAK* loan program. It is similar to *SBALowDoc* in that it is designed to speed the approval process for loans up to \$150,000. It differs in that it allows private lenders to use their own forms and processes, and the maximum SBA guaranty is 50 percent.

### Loan Limits.

The maximum loan amount is \$150,000. The maximum SBA guaranty is 50 percent.

### Eligibility.

**Private Lenders:**<sup>54</sup> A lender may be eligible to make *SBAExpress* loans if the lender is

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<sup>53</sup> <http://www.sba.gov/financing/frfastrak.html>

- Currently in the SBA’s Preferred Lenders Program<sup>55</sup> or, in selected geographic regions, participates in the SBA’s 7(a) Regular Business Loan Program;<sup>56</sup> and
- Meets other participation and loan portfolio standards. Lenders are encouraged to contact their SBA district office to discuss eligibility.

**Applicants:** To qualify for the program, a business applicant must meet the SBA’s size standards. These standards are based on the average number of employees over the preceding 12 months or the average sales over the previous 3 years. The Agency publishes size standards for specific standard industrial classification (SIC) codes:

<b>Industry</b>	<b>Size</b>
<b>Retail and Service</b>	<b>\$3.5 to \$13.5 million</b>
<b>Construction</b>	<b>\$7.0 to \$17.0 million</b>
<b>Agriculture</b>	<b>\$0.5 to \$3.5 million</b>
<b>Wholesale</b>	<b>No more than 100 employees</b>
<b>Manufacturing</b>	<b>500 to 1,500 employees</b>

#### Loan Terms.

The loan maturity generally is 5 to 10 years, and up to 25 years for fixed asset-secured loans. Length of time for repayment depends on the borrower’s ability to repay and the use of the loan proceeds.

#### Interest Rates.

Lenders and borrowers can negotiate the interest rate. Rates are tied to the prime rate (as published in *The Wall Street Journal*) and may be fixed or variable, but they may not exceed these maximums:

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<sup>54</sup> Lender eligibility can be found at <http://www.sba.gov/financing/frfastrak.htm#participation>

<sup>55</sup> See Chapter 9 of this Source Book.

<sup>56</sup> See Chapter 11 of this Source Book.

- 2.25 percent over the prime rate for loans of less than 7 years; and
- 2.75 percent over the prime rate for loans of 7 years or more.

Loans under \$50,000 may be subject to slightly higher rates.

## **U.S. Community Adjustment and Investment Program (CAIP)**

### Introduction.<sup>57</sup>

CAIP was established to help communities that suffered job losses due to changing trade patterns with Mexico and Canada as a result of the North American Free Trade Agreement (NAFTA). CAIP promotes economic implementation of the adjustment by increasing the availability and flow of credit and encourages business development and expansion in impacted areas. Through CAIP, credit is available to businesses in eligible communities to create new, sustainable jobs or to preserve existing jobs.

In its implementation, CAIP is essentially a 7(a) loan targeted to specific eligible communities. The guaranty percentage, loan limits, loan maturities, and interest rates for CAIP loans follow the 7(a) policies.

### Loan Limits.

For most SBA loans there is no legislated limit to the total amount of the loan that may be requested from a private lender. However, the maximum amount SBA can guarantee is generally \$750,000. The maximum SBA guaranty is 75 percent.

### Eligibility.

Eligible recipients must be located in, or relocating to, a specific geographic area designated by the U.S. Treasury and the North American Development Bank. CAIP has a job criterion. To be eligible, all applicants must provide a written estimate that the number of jobs to be created or preserved within 24 months of loan disbursement must equal or exceed \$70,000 of federally guaranteed funds per job created or preserved. All jobs preserved must be at risk due to changing trade patterns.

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<sup>57</sup> The CAIP section of this Source Book came from the CAIP program description, which can be found at <http://www.sba.gov/financing/frcaip.html>

**Eligible CAIP Communities:** A list of the eligible communities is maintained on the SBA website (go to <http://www.sba.gov/financing/frcaip.html> and scroll down to the list of eligible CAIP communities). SBA and the U.S. Department of Agriculture (USDA) are CAIP lending partners. SBA can guarantee 7(a) loans in any eligible CAIP community, including rural, urban, and otherwise designated areas. USDA can guarantee loans only in rural areas.

### Loan Terms.

CAIP follows the 7(a) loan maturity policies:

Loans for working capital purposes will not exceed 7 years, except when a longer maturity (up to 10 years) may be needed to ensure repayment. The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated,<sup>58</sup> the 25-year maximum would be in addition to the time needed to complete construction.

### Interest Rates.

CAIP also follows the 7(a) interest rate policies:

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the

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<sup>58</sup> Significant renovation means construction of at least one-third of the current value of the property.

base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

## **CAPLines Program**

### Introduction.<sup>59</sup>

*CAPLines* is the umbrella program under which the SBA helps small businesses meet their short-term and cyclical working capital needs. A *CAPLines* loan can be for any dollar amount (except for the Small Asset-Based Line described below).

There are five short-term working capital loan programs for small businesses:

- ***Seasonal Line:*** Used to finance anticipated inventory and accounts receivable during peak seasons when businesses experience seasonal sales fluctuations. A Seasonal Line can be revolving or non-revolving.
- ***Contract Line:*** Used to finance the direct labor and material cost associated with performing assignable contract(s). A Contract Line can be revolving or non-revolving.
- ***Builder's Line:*** Used to finance direct labor and material costs. The building project serves as the collateral, and loans can be revolving or non-revolving.
- ***Standard Asset-Based Line:*** Used to finance cyclical growth, recurring and/or short-term needs. Revolving line of credit for businesses unable to meet credit standards associated with long-term credit. Repayment comes from converting short-term assets into cash, which is remitted to the lender.
- ***Small Asset-Based Line:*** Revolving line similar to the *Standard Asset-Based Line*. It has a loan limit of \$200,000, and the more strict servicing requirements are waived, providing the business consistently pays off the loan.

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<sup>59</sup> <http://www.sba.gov/financing/fullcaplines.html#general>

Loan Limits.

CAPLines programs follow the 7(a) loan limits policies (with the exception of the *Small Asset-Based Line*, which cannot exceed a maximum loan amount of \$200,000).

For most SBA loans there is no legislated limit to the total amount of the loan that may be requested from the lender. However, the maximum amount the SBA can guaranty is generally \$750,000. Thus, with a lender requesting the maximum SBA guaranty of 75 percent, the total loan amount available under this program generally would be limited to \$1 million.

The SBA guaranty follows the 7(a) policies:

- 80 percent on loans of \$100,000 or less; and
- 75 percent on loans more than \$100,000.

Eligibility.

Eligibility is determined by four factors: type of business, size of business, use of loan funds, and special circumstances.

**Type of Business:** Eligibility follows the 7(a) loan policies. Applicant businesses must operate for profit; be engaged in, or propose to do business in, the United states or its possessions; have reasonable owner equity to invest; and, use alternative financial resources first, including personal assets. More information on ineligible businesses is available on the SBA website:

[http://www.sba.gov/business\\_finances/common/inelig.html](http://www.sba.gov/business_finances/common/inelig.html)

**Size of Business:** Size standards follow the 7(a) policies.

<u>Industry</u>	<u>Size</u>
<b>Retail and Service</b>	<b>\$3.5 to \$13.5 million</b>
<b>Construction</b>	<b>\$7.0 to \$17.0 million</b>
<b>Agriculture</b>	<b>\$0.5 to \$3.5 million</b>
<b>Wholesale</b>	<b>No more than 100 employees</b>
<b>Manufacturing</b>	<b>500 to 1,500 employees</b>

*Use of Loan Funds:* Acceptable uses of loan funds are described in the Introduction to *CAPLines*.

*Special Circumstances:* Certain other considerations apply to certain types of businesses, such as franchises, recreational facilities and clubs, farms and agriculture, fishing vessels, medical facilities; and applicants, such as alter ego, change of ownership, aliens, and probation or parole. More information on these requirements are available on the SBA website:

<http://www.sba.gov/financing/fullcaplines.html#specialcir>

### Loan Terms.

Each of the types of *CAPLines* loans has a maturity of up to 5 years, but because each is tailored to individual business needs, a shorter initial maturity may be established. Funds can be used as needed throughout the term of the loan to purchase assets as long as sufficient time is allowed to convert the assets into cash at maturity.

### Interest Rates.

Borrowers negotiate interest rates with the private lender. The maximum rate allowed is 2.25 percent over the prime rate (as established in *The Wall Street Journal*) and it can be fixed or variable.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate, within the 2.25 percent allowed by SBA. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

## International Trade Loan Program

### Introduction. <sup>60</sup>

SBA provides financing for the business preparing to engage in, or already engaged in, international trade, or is adversely affected by competition from imports, through the *International Trade Loan Program*.

### Loan Limits.

There is no limit on the loan amount that may be requested from a private lender. SBA can guarantee as much as \$1,000,000 in *International Trade Loan Program* debt, and up to \$1,250,000 in **combined** working capital and facilities and equipment loans. The working capital portion of the loan is made according to the provisions of the *Export Working Capital Program* (see program information later in this chapter).

The SBA guaranty follows the 7(a) policies:

- 80 percent on loans of \$100,000 or less; and
- 75 percent on loans more than \$100,000.

### Eligibility.

The applicant must establish that the

- Loan will significantly expand or develop an export market; and/or
- Applicant is currently adversely affected by import competition; and/or
- Applicant will upgrade equipment or facilities to improve competitive position; and
- Business plan reasonably projects export sales sufficient to cover the loan.

Additional eligibility mirrors that for the *CAPLines Program*, except for the use of funds. There are four factors of additional eligibility: type of business, size of business, use of loan funds, and special circumstances.

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<sup>60</sup> <http://www.sba.gov/financing/frinternational.html>

**Type of Business:** Eligibility follows the 7(a) loan policies. Applicant businesses must operate for profit; be engaged in, or propose to do business in, the United States or its possessions; have reasonable owner equity to invest; and, use alternative financial resources first, including personal assets. More information on ineligible businesses is available on the SBA website:

[http://www.sba.gov/business\\_finances/common/inelig.html](http://www.sba.gov/business_finances/common/inelig.html)

**Size of Business:** Size standards follow the 7(a) policies.

<b><u>Industry</u></b>	<b><u>Size</u></b>
<b>Retail and Service</b>	<b>\$3.5 to \$13.5 million</b>
<b>Construction</b>	<b>\$7.0 to \$17.0 million</b>
<b>Agriculture</b>	<b>\$0.5 to \$3.5 million</b>
<b>Wholesale</b>	<b>No more than 100 employees</b>
<b>Manufacturing</b>	<b>500 to 1,500 employees</b>

**Use of Loan Funds:** The proceeds of SBA loans *may* be used for most business purposes, including to

- purchase real estate to house the business operations;
- construct, renovate or acquire leasehold improvements;
- acquire furniture, fixtures, machinery, and equipment;
- purchase inventory; and
- fund working capital needs.

The proceeds of an SBA loan *may not* be used to

- finance floor plan needs;
- purchase real estate where the participant has issued a forward commitment to the builder/developer, or where the real estate will be held primarily for investment purposes;

- make payments to owners or pay delinquent withholding taxes; and
- pay existing debt unless it can be shown that the refinancing will benefit the small business and that the need to refinance is not indicative of imprudent management. Proceeds can never be used to reduce the exposure of the lender in the loans being refinanced.

***Special Circumstances:*** Certain other considerations apply to certain types of businesses, such as franchises, recreational facilities and clubs, farms and agriculture, fishing vessels, medical facilities; and applicants, such as alter ego, change of ownership, aliens, and probation or parole. More information on these requirements are available on the SBA website:

<http://www.sba.gov/financing/fullcaplines.html#specialcir>

### Loan Terms.

Loans for facilities or equipment can have maturities of up to 25 years. The working capital portion of a loan, under the *Export Working Capital Program* provisions, has a maximum maturity of 3 years.

### Interest Rates.

Borrowers negotiate interest rates with the private lender. The maximum rate allowed is 2.25 percent over the prime rate (as established in *The Wall Street Journal*) and it can be fixed or variable.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate, within the 2.25 percent allowed by SBA. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

## **Export Working Capital Program**

### Introduction.<sup>61</sup>

SBA provides short-term working capital to exporters through the *Export Working Capital Program (EWCP)*. This program is a combined effort of SBA and the Export-Import Bank. The two agencies joined their working capital programs to offer a unified approach to the government's support of export financing.

### Loan Limits.

There is no limit on the loan amount that may be requested. SBA processes loan requests of \$833,333 and less; the Export-Import Bank processes those over \$833,333. Borrowers may have other SBA guarantees as long as the aggregate amount guaranteed does not exceed \$750,000. When an EWCP loan is *combined* with an *International Trade Loan Program*, the aggregate SBA guaranty is extended to a maximum of \$1,250,000.

The SBA guaranty follows the 7(a) policies:

- 80 percent on loans of \$100,000 or less; and
- 75 percent on loans more than \$100,000.

### Eligibility.

In addition to the standard 7(a) eligibility requirements – type of business, size of business, use of loan funds, and special requirements – the business applicant for an EWCP loan must have been in business for a full year (not necessarily in exporting) at the time of application.

### Loan Terms.

The term of the *Export Working Capital Program* loan is scheduled to coincide with a single transaction cycle and may not exceed 3 years. This is generally 1 year for a line of credit.

### Interest Rates.

There is no limitation on the interest rate.

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<sup>61</sup> <http://www.sba.gov/financing/fullexport.html#general>

## **Pollution Control Loan Program**

### Introduction.<sup>62</sup>

SBA provides loan guarantees to eligible small businesses for the financing of the planning, design, or installation of a pollution control facility. This facility must prevent, reduce, abate, or control any form of pollution, including recycling.

### Loan Limits.

There is no limit on the loan amount that may be requested. SBA can guarantee up to \$1,000,000.

The SBA guaranty follows the 7(a) policies:

- 80 percent on loans of \$100,000 or less; and
- 75 percent on loans more than \$100,000.

### Eligibility.

The standard 7(a) eligibility requirements apply to the *Pollution Control Loan Program*.

**Type of Business:** Applicant businesses must operate for profit; be engaged in, or propose to do business in, the United states or its possessions; have reasonable owner equity to invest; and, use alternative financial resources first, including personal assets. More information on ineligible businesses is available on the SBA website:

[http://www.sba.gov/business\\_finances/common/inelig.html](http://www.sba.gov/business_finances/common/inelig.html)

### ***Size of Business:***

<b><u>Industry</u></b>	<b><u>Size</u></b>
<b>Retail and Service</b>	<b>\$3.5 to \$13.5 million</b>
<b>Construction</b>	<b>\$7.0 to \$17.0 million</b>

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<sup>62</sup> <http://www.sba.gov/financing/frpollute.html#general>

<b>Agriculture</b>	<b>\$0.5 to \$3.5 million</b>
<b>Wholesale</b>	<b>No more than 100 employees</b>
<b>Manufacturing</b>	<b>500 to 1,500 employees</b>

*Use of Loan Funds:* The proceeds of PCLP loans *must* be consistent with the purpose of the program, as identified in the Introduction to this section.

*Special Circumstances:* Certain other considerations apply to certain types of businesses, such as franchises, recreational facilities and clubs, farms and agriculture, fishing vessels, medical facilities; and applicants, such as alter ego, change of ownership, aliens, and probation or parole. More information on these requirements are available on the SBA website:

<http://www.sba.gov/financing/fullcaplines.html#specialcir>

### Loan Terms.

The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated,<sup>63</sup> the 25-year maximum would be in addition to the time needed to complete construction.

### Interest Rates.

PCLP also follows the 7(a) interest rate policies:

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

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<sup>63</sup> Significant renovation means construction of at least one-third of the current value of the property.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

### **Defense Loan and Technical Assistance Program (DELTA)**

#### Introduction.<sup>64</sup>

SBA and the U.S. Department of Defense jointly provide financial and technical assistance to defense-dependent small firms adversely affected by cutbacks in federal defense spending. Each *DELTA* loan must achieve at least one of the following objectives:

- Job retention: retain defense workers whose employment would otherwise be permanently or temporarily terminated due to federal defense spending reductions;
- Job creation: create job opportunities and new economic activity in communities adversely affected by defense reductions; or
- Plant re-tooling and expansion: modernize or expand facilities in order to remain in the nation's technical and industrial base.

Another attribute of the DELTA program is the resolution of feasibility issues. Any reasonable doubt regarding the application should be resolved in favor of the applicant.<sup>65</sup>

#### Loan Limits.

The maximum loan amount for a *DELTA* loan is

- \$1,250,000 under the 7(a) program; and

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<sup>64</sup> <http://www.sba.gov/financing/frdelta.html#general>

<sup>65</sup> Provided in SBA feedback.

- \$1,000,000 under the CDC Section 504 program.

If both 7(a) and CDC Section 504 programs are used for a *DELTA* loan, the maximum SBA exposure is \$1,200,000 (given a \$1,000,000 SBA debenture). If there is an existing SBA 7(a) guaranty, the total amount of the SBA exposure cannot exceed \$1,000,000. The SBA guaranty is a maximum of 80 percent on all *DELTA* 7(a) loans.<sup>66</sup>

**Eligibility.**

To be eligible for the *DELTA* program, a business applicant must

1. Meet SBA business size standards:

<b><u>Industry</u></b>	<b><u>Size</u></b>
<b>Retail and Service</b>	<b>\$3.5 to \$13.5 million</b>
<b>Construction</b>	<b>\$7.0 to \$17.0 million</b>
<b>Agriculture</b>	<b>\$0.5 to \$3.5 million</b>
<b>Wholesale</b>	<b>No more than 100 employees</b>
<b>Manufacturing</b>	<b>500 to 1,500 employees</b>

2. And, have derived at least 25 percent of total company revenues during any one of its five prior operational years from U.S. Department of Defense contracts, defense-related contracts with the U.S. Department of Energy, or subcontracts in support of defense-related prime contracts;<sup>67</sup>

In addition, a company must

1. Have been adversely impacted by federal defense reductions and will use loan proceeds to help retain jobs of defense workers; or
2. Be located in a community adversely impacted by federal defense reductions and the loan proceeds will help create new economic activity and employment; or

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<sup>66</sup> Modified through SBA feedback.

<sup>67</sup> Modified through SBA feedback.

3. Use loan proceeds to help modernize or expand the company's facilities so it can diversify operations for commercial purposes while remaining in the national technology and industrial base.

### Loan Terms.

Like most 7(a) loans, maturities of term loans are usually 5 to 7 years for working capital, and up to 25 years for real estate or equipment.

### Interest Rates.

*DELTA* also follows the 7(a) interest rate policies:

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

## **Pre-Qualification Pilot Loan Program (PreQual)**

### Introduction. <sup>68</sup>

The *Pre-Qualification Pilot Loan Program* was developed to assist in the marketing and promotion of the Agency's financial assistance programs. It was also developed to provide substantive support and assistance in the small business loan application process to those segments of the small business community that traditionally may have been underserved by the lending community. The SBA serves women, veterans, minority owned businesses, exporters, rural markets, and certain designated geographical areas and industries through this program.

The PreQual concept revolves around intermediaries who help market the SBA's loan programs and assist prospective borrowers in assembling a viable loan application package. After an application package is assembled and screened, it is forwarded by the intermediary to SBA for an Agency review. If the application meets the Agency's credit and eligibility standards, the field office performing the review issues a commitment letter. Armed with the commitment letter, it is envisioned that the applicant, with assistance as necessary from the intermediary, will encounter a much more receptive lender.

The PreQual concept was originally introduced as two programs: the *Women's Pre-Qualification Pilot Loan Program* and the *Minority Pre-Qualification Pilot Loan Program*. These programs were evaluated and found to be highly effective, and were then combined into an umbrella PreQual program to more aggressively market the SBA's loan programs to a wider variety of underserved markets.

### Loan Limits.

The maximum loan commitment is \$250,000.

The SBA guaranty follows the 7(a) policies:

- 80 percent on loans of \$100,000 or less; and
- 75 percent on loans more than \$100,000.

### Eligibility.

**Requirements:** The eligibility requirements for PreQual include a business that:

- Is at least 51 percent owned, operated, and managed by women, veterans, or minorities; or
- In the case of exporters, that the loan is made with the intention of significantly expanding existing export markets or developing new export markets; or
- In the case of rural markets (generally as designed by the Department of Agriculture) or other specially designated geographical areas or industries, the criteria must be approved by the Office of Field Operations at Headquarters; and
- The 7(a) business size standards apply.

### Loan Terms.

The 7(a) maturity policies apply to PreQual.

Loans for working capital purposes will not exceed 7 years, except when a longer maturity (up to 10 years) may be needed to ensure repayment. The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated,<sup>69</sup> the 25-year maximum would be in addition to the time needed to complete construction.

### Interest Rates.

PreQual also follows the 7(a) interest rate policies:

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must

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<sup>68</sup> The information on the website (<http://www.sba.gov/financing/frprequal.html>) was modified to reflect SBA Procedural Notice Control No. 5000-572, titled "SBA Pre-Qualification Pilot Loan Program replaces Women's and Minority Pre-Qualification Loan Programs." The text for this section is extracted from this Procedural Notice.

<sup>69</sup> Significant renovation means construction of at least one-third of the current value of the property.

not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

### **Disabled Assistance Loan Program**

#### **Introduction.**<sup>70</sup>

Although SBA has statutory authority to guarantee loans to the disabled,<sup>71</sup> the program has never been funded. Should funding be made available, loans could be offered as follows:<sup>72</sup>

***DAL-1:*** Assistance to non-profit public or private organizations for disabled individuals that employ such individuals; and

***DAL-2:*** Assistance to small businesses wholly owned by disabled individuals, and assistance to disabled individuals to establish, acquire, or operate a small business.

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<sup>70</sup> <http://www.sba.gov/financing/frhandi.html> and 13 CFR Part 120, Subpart C, as modified by SBA feedback.

<sup>71</sup> 7 CFR §120.310

<sup>72</sup> The program was formerly the *Handicapped Assistance Loan Program* and the two kinds of assistance were *HAL-1* and *HAL-2*.

## **Qualified Employee Trusts Loan Program**

### Introduction.<sup>73</sup>

SBA assists Employee Stock Ownership Plans (ESOPs) in purchasing employer securities or a controlling interest in the employer through this program. The Trust must be part of a plan sponsored by the employer company and qualified under regulations set by either the Internal Revenue Service Code (as an ESOP), or the Department of Labor (as an Employee Retirement Income Security Act or ERISA).

### Loan Limits.

There is no limit on the loan amount that may be requested. SBA can guarantee up to \$750,000.

The SBA guaranty follows the 7(a) policies:

- 80 percent on loans of \$100,000 or less; and
- 75 percent on loans more than \$100,000.

### Eligibility.

SBA can assist qualified employee trusts that meet the requirements and conditions for an ESOP as prescribed in all applicable IRS, Treasury, and Department of Labor regulations. The small business must provide all the funds needed to collateralize and repay the loan. A qualified employee trust may

- ✓ Re-lend proceeds to the employer by purchasing qualified employer securities; or
- ✓ Purchase a controlling interest in the employer.

### Loan Terms.

The 7(a) maturity policies apply to the *Qualified Employee Trusts Loan Program*.

Loans for working capital purposes will not exceed 7 years, except when a longer maturity (up to 10 years) may be needed to ensure repayment. The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to

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<sup>73</sup> <http://www.sba.gov/financing/frqet.html>

exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated,<sup>74</sup> the 25-year maximum would be in addition to the time needed to complete construction.

### Interest Rates.

The *Qualified Employee Trusts Loan Program* also follows the 7(a) interest rate policies:

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

## **Veterans Loan Program**

### Introduction.<sup>75</sup>

SBA is authorized to make direct loans to veterans for most business loan purposes.<sup>76</sup> There is currently **no funding** for the program, but there are Veterans loans in the SBA portfolio. Veterans are eligible for special consideration under the guaranty loan programs. This consideration includes

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<sup>74</sup> Significant renovation means construction of at least one-third of the current value of the property.

<sup>75</sup> <http://www.sba.gov/financing/frvets.html>

<sup>76</sup> 7 CFR §120.360

- ✓ Liaison personnel in each SBA field office;
- ✓ In-depth management counseling and training assistance; and
- ✓ Prompt and priority processing of any loan application.

### Loan Limits.

During the history of the program, SBA has made direct loans up to \$150,000.

### Eligibility.

In addition to the business size and type standards, the requirements are essentially that the business be 51 percent owned and managed by one or more veterans.

### Loan Terms.

The 7(a) maturity policies apply to the *Veterans Loan Program*.

Loans for working capital purposes will not exceed 7 years, except when a longer maturity (up to 10 years) may be needed to ensure repayment. The maximum maturity of loans used to finance fixed assets other than real estate will be limited to the economic life of those assets - but in no instance to exceed 25 years. The 25-year maximum will generally apply to the acquisition of land and buildings or the refinancing of debt incurred in their acquisition. Where business premises are to be constructed or significantly renovated,<sup>77</sup> the 25-year maximum would be in addition to the time needed to complete construction.

### Interest Rates.

The *Veterans Loan Program* also follows the 7(a) interest rate policies:

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Fixed rate loans must not exceed Prime plus 2.25% if the maturity is less than 7 years, and Prime plus 2.75% if the maturity is 7 years or more. For loans of less than \$25,000, the maximum interest rate must not

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<sup>77</sup> Significant renovation means construction of at least one-third of the current value of the property.

exceed Prime plus 4.25% and 4.75%, respectively; for loans between \$25,000 and \$50,000, maximum rates must not exceed 3.25% and 3.75%, respectively.

Variable rate loans may be pegged to either the lowest prime rate or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan. SBA calculates the peg rate quarterly and publishes it in the Federal Register. The lender and the borrower negotiate the amount of the spread that will be added to the base rate. An adjustment period is selected which will identify the frequency at which the note rate will change. It must be no more often than monthly and must be consistent (e.g., monthly, quarterly, semiannually, annually or any other defined, consistent period).

### **Microloan Program**

#### Introduction.<sup>78</sup>

The *Microloan Program* was developed to increase the availability of very small loans to prospective small business borrowers. Under this program, the SBA funds nonprofit intermediaries, who in turn make loans to women, low income individuals, minority entrepreneurs, businesses in areas of economic downturn, and other small businesses which need small amounts of financial assistance.

#### Loan Limits.

**Intermediaries:** An Intermediary can borrow up to \$750,000 in the first year of its participation in the *Microloan Program*. In subsequent years, the maximum can be extended to \$3,500,000 subject to the statutory limitations on the total amount of funds available for each state.

**Borrowers:** Intermediaries make loans to borrowers in amounts up to \$25,000. The average loan size is \$10,000.

#### Eligibility.

**Intermediary Eligibility:** To be eligible to be an Intermediary, an organization must

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<sup>78</sup> (a) <http://www.sba.gov/financing/frmicro.html>; (b) 13 CFR §§120.700 through 120.715; (c) Modified through SBA feedback.

1. Have prior experience.

- ✓ Have made and serviced short-term fixed rate loans of not more than \$25,000 to newly established or growing small businesses for at least one year; and
- ✓ Have at least one year of experience providing technical assistance to its borrowers; and

2. Be a nonprofit organization.<sup>79</sup>

- ✓ A private, nonprofit community development corporation or other entity;
- ✓ A consortium of private, nonprofit community development corporations or other entities;
- ✓ A quasi-governmental economic development entity, other than a state, county, municipal government or any agency thereof; or
- ✓ An agency of, or a nonprofit entity established by, a Native American Tribal Government.

**Annual Evaluations:** SBA evaluates Intermediaries each year beginning at the end of the Intermediary's first full year of participation. Those that maintain a portfolio of loans averaging \$7,500 or less will become *Specialized* Intermediaries and may borrow from the SBA at an interest rate .75 percent less than the regular Intermediaries.

**Borrowers from Intermediaries:** The standard 7(a) eligibility requirements apply to the *Microloan Program*. Through this program, however, the SBA services the smallest-size businesses of its borrowers.

**Type of Business:** Applicant businesses must operate for profit (with the exception of non-profit child care centers); be engaged in, or propose to do business in, the United states or its possessions; and for loans over \$15,000, must use alternative financial resources first, including personal assets. More information on ineligible businesses is available on the SBA website:

[http://www.sba.gov/business\\_finances/common/inelig.html](http://www.sba.gov/business_finances/common/inelig.html)

**Use of Loan Funds:** The proceeds of *Microloan Program* debt may be used for working capital and acquisition of materials, supplies, furniture, fixtures, and equipment. Proceeds may not be used for

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<sup>79</sup> As defined in the legislation at 13 CFR §120.701(e).

the acquisition of real estate, to make down payments, or as a part of a financing package that exceeds \$25,000.

***Special Circumstances:*** Certain other considerations apply to certain types of businesses, such as franchises, recreational facilities and clubs, farms and agriculture, fishing vessels, medical facilities; and applicants, such as alter ego, change of ownership, aliens, and probation or parole. More information on these requirements are available on the SBA website:

<http://www.sba.gov/financing/fullcaplines.html#specialcir>

### Loan Terms.

***Intermediaries:*** SBA offers a 10 year maturity and defers interest for the first year. Interest accrues from the date that the SBA disburses the loan proceeds. Each loan to an Intermediary is amortized over a period of nine years. The first years' deferred interest is divided into 108 equal installments and paid out over the amortization period of the loan.

***Borrowers:*** The maximum loan maturity is 6 years.

### Interest Rates.

***Intermediaries:*** The interest rate is equal to the rate applicable to 5-year obligations of the U.S. Treasury, adjusted to the nearest 1/8<sup>th</sup> percent, less 1.25 percent. *Specialized* Intermediaries are charged .75 percent less (the 5-year Treasury obligations, adjusted to the nearest 1/8<sup>th</sup> percent, less 2 percent).

***Borrowers:***<sup>80</sup> The interest rate is based on the Intermediary's borrowing cost. The rate extended to Micro-borrowers cannot exceed that cost plus 8.5 percent for loans of \$7,500 or less, or cost plus 7.75 percent for loans greater than \$7,500.

### List of Intermediaries.

SBA maintains a listing of the Intermediaries on its website:

<http://www.sba.gov/financing/microparticipants.html>

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<sup>80</sup> Reflects updated information obtained from SBA staff.

This listing is by state, and it identifies the organization, its address, phone, fax, and email address, and the point of contact.

### **7(a)11 Loan Program (Low-Income)**

SBA formerly offered loans to businesses owned by low-income individuals, or located in high unemployment or low income areas, through the *7(a)11 Program*. This program is no longer active but there are *7(a)11* loans in the SBA portfolio.

#### Eligibility.

Loans made under this program followed the 7(a) rules for size standards, general eligibility, interest rates, and loan terms. The unique qualifications were that the business must be

- ✓ Located in an area designated by the U.S. Department of Labor as having severe or persistent unemployment; or
- ✓ More than 50 percent owned by low-income individuals, defined for the purpose of this program as those individuals having inadequate income to meet basic family needs.

### **Contract Loan Program**

SBA formerly guaranteed loans to assist small businesses with the short-term financing of the labor and material costs of a specific, assignable contract through the *Contract Loan Program*. The objectives of this program are now implemented through the *CAPLines Program*. There are, however, *Contract loans* in the SBA portfolio.

#### Eligibility.

The 7(a) eligibility rules for size standards and interest rates applied to the *Contract Loan Program*.

In addition, the eligible businesses had to be

- ✓ Small construction, manufacturing, or service contractors or subcontractors who provide a specific product or service under an assignable contract;
- ✓ In operation for the preceding 12 months; and

- ✓ Current on payroll taxes and have a depository plan for the payment of future withholding taxes.

*Proceeds* could only be used to finance the labor and materials necessary to comply with the terms of the contract.

#### Loan Terms.

SBA offered a maximum loan maturity of 18 months.

#### **Seasonal Line of Credit Program**

SBA formerly guaranteed loans to finance small businesses increased receivables and inventories arising from a seasonal increase in sales through the *Seasonal Line of Credit Program*. The objectives of this program are now implemented through the *CAPLines Program*. There are, however, *Seasonal lines of credit* in the SBA portfolio.

#### Eligibility.

The 7(a) eligibility rules for size standards and interest rates applied to the *Seasonal Line of Credit Program*. In addition, the eligible businesses had to be

- ✓ In operation for the preceding 12 months; and
- ✓ Unable to obtain financing without SBA's guaranty.

*Proceeds* could only be used to finance the labor and materials necessary to comply with the terms of the contract.

#### Loan Terms.

SBA offered a maximum loan maturity of 12 months.

#### **Small General Contractors Loan Program**

SBA formerly guaranteed loans to finance the construction or renovation of residential and commercial buildings for sale through the *Small General Contractors Loan Program*. The objectives of this program are now implemented through the *CAPLines Program*. There are, however, *Small General Contractor loans* in the SBA portfolio.

Eligibility.

The 7(a) eligibility rules applied to the *Small General Contractors Loan Program*.

*Proceeds* could only be used solely for the direct expenses of acquisition, immediate construction, and/or significant rehabilitation of the residential or commercial structures.

Loan Terms.

SBA offered a maximum loan maturity of 36 months plus a reasonable estimate of the construction or renovation period.

**Solar Energy and Conservation Loan Program**

SBA formerly guaranteed loans to small businesses to conserve the nation's energy resources through the *Solar Energy and Conservation Loan Program*. This program is no longer active, however, there are *Solar Energy and Conservation loans* in the SBA portfolio.

Eligibility.

The 7(a) eligibility rules applied to the *Solar Energy and Conservation Loan Program*. In addition, the eligible businesses had to be engaged in the

- ✓ Production of energy conversion equipment, equipment to convert biomass sources to energy, or equipment for the industrial co-generation of energy or heating;
- ✓ Provision of products or services to increase the energy efficiency of existing equipment or to improve the operation of systems using fossil fuels; or
- ✓ Provision of engineering, architectural, consulting, or other professional services to aid in the conservation of energy resources.

*Proceeds* could be used for research and development up to 30 percent of the loan amount.

**Chapter 14 – Guide to Standard Operating Procedures**

SBA maintains its SOPs on the SBA website:

<http://www.sba.gov/library/soprooom.html>

There are four volumes that describe the origination, servicing, and liquidation of SBA direct and guaranteed loans:

<b>SOP Volume</b>	<b>Title</b>	<b>Website Address</b>
50 10 (4)	Loan Processing <sup>81</sup>	<a href="http://www.sba.gov/sops/5010/sop5010-4.pdf">http://www.sba.gov/sops/5010/sop5010-4.pdf</a>
50 30 (4)	Disaster Assistance Program <sup>82</sup>	<a href="http://www.sba.gov/sops/5030/sop50304.pdf">http://www.sba.gov/sops/5030/sop50304.pdf</a>
50 50 (4)	Loan Servicing	<a href="http://www.sba.gov/sops/5050/sop50504.pdf">http://www.sba.gov/sops/5050/sop50504.pdf</a>
50 51 (2)	Loan Liquidation and Acquired Property	<a href="http://www.sba.gov/sops/sop50512.pdf">http://www.sba.gov/sops/sop50512.pdf</a>

**Loan Processing: SOP 50 10 (4)**

This SOP volume stipulates the policy and procedures for the processing of all requests for financial assistance under the Agency’s business loan programs. These programs include: general business, Microloan Demonstration and Development Company loans.<sup>83</sup> This SOP is organized as follows:

<b>Subpart</b>	<b>Title</b>	<b>Page</b>
	<a href="#">Introduction and Purpose</a>	1
<a href="#">Subpart A</a>	<a href="#">Policies Applying to All Business Loans</a>	3
<a href="#">Subpart B</a>	<a href="#">Policies Specific to 7(a) Loans</a>	191

<sup>81</sup> As of 09/22/98.

<sup>82</sup> As of 07/27/98.

<sup>83</sup> SOP 50 10 (4), p1.

<b>Subpart</b>	<b>Title</b>	<b>Page</b>
Subpart C	Special Purpose Loans	227
Subpart D	Lenders	305
Subparts E, F, G	Reserved	
Subpart H	Development Company Loan Program (504)	361
	Appendices	521

**Disaster Assistance Program: SOP 50 30 (4)**

This SOP volume stipulates the policy and procedures for the processing of all requests for financial assistance under the Agency’s disaster loan programs. These programs include: personal and real property disaster loans for individuals, and economic injury and physical disaster loans for businesses. This SOP is organized as follows:

<b>Chapter</b>	<b>Title</b>	<b>Page</b>
1	Introduction	13
2	Eligibility of Applicants for Physical Disaster Loans	19
3	Eligibility of Property for Physical Disaster Loans	33
4	Additional Eligibility Requirements	53
5	Amounts, Terms, and Conditions of Physical Disaster Loans	75
6	Registration, Interviewing and Screening	113
7	Processing of Applications	127
8	Disaster Loan Closing and Disbursement	153
9	Reconsideration, Appeal and Reacceptance	159
10	Loan Servicing, Cancellation, Reinstatement and Loan Modification	165
11	Economic Injury Disaster Loans: Policies and Eligibility	169
12	Economic Injury Disaster Loans: Analysis and Processing	179

<b>Chapter</b>	<b>Title</b>	<b>Page</b>
13	Economic Injury Disaster Loans: Terms and Conditions	185
	Appendices	189

### **Loan Servicing: SOP 50 50 (4)**

This SOP volume provides guidelines for servicing activities for loans made under the 7(a), 504, and direct business loan programs,<sup>84</sup> to SBA personnel, participating lenders, and Certified Development Companies (CDCs). It is organized as follows:

<b>Chapter</b>	<b>Title</b>	<b>Page</b>
1	What Does This SOP Cover, and How is it Organized?	1-5
2	How Does SBA Service Loans?	2-1
3	Administrative Aspects for Loan Servicing	3-1
4	General Loan Servicing Requests and Actions	4-1
5	Specific Loan Servicing Actions	5-1
6	Special Loan Programs	6-1
7	Workout and Intensive Servicing Responsibilities of Field Offices and Service Centers	7-1
8	The Secondary Market for SBA Guaranteed Loans	8-1
9	Purchasing SBA's Guaranty	9-1
10	Miscellaneous Issues Regarding Participation Loans	10-1
11	Prepayment or Purchase of a Development Company Loan or Debenture	11-1
12	Federal Deposit Insurance Corporation Takeover of a Participating Lender	12-1
13	Disclosure of Loan Information	13-1

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<sup>84</sup> The policies and procedures for servicing disaster business loans are in SOP 50 30 (4), Chapter 10, p165.

<b>Chapter</b>	<b>Title</b>	<b>Page</b>
14	Referral of Irregularities to the Inspector General	14-1
15	Loan Collection Monitoring & Reports	15-1
16	Servicing Procedures Pollution Control Financing Guarantees	16-1
	Appendix	A-i

### **Loan Liquidation and Acquired Property: SOP 50 51 (2)**

This SOP<sup>85</sup> provides guidelines for the liquidation activities of SBA personnel, participating lenders, and Certified development companies (CDCs). Loan liquidation personnel handle problem loans which require enforced collection measures or other actions to protect the interests of the SBA.

Liquidation personnel take all necessary and appropriate steps in connection with the administration and collection of loans classified as "*In Liquidation*." Typically, these steps include<sup>86</sup>

- ✓ Workouts;
- ✓ Recovery from collateral; and
- ✓ Pursuit of guarantors and other obligors.

#### Loan Workout Policy.

SBA established three guiding principles for considering the workout of non-performing or troubled loans:

1. SBA's mandate is to foster and assist small business.
2. Servicers should work with the borrower to structure a workout whenever feasible.

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<sup>85</sup> Available online at <http://www.sba.gov/sops/sop50512.pdf>

<sup>86</sup> SOP 50 51 (2), Chapter 1, p1-1.

3. Servicers are encouraged to be creative, since the alternative of liquidating the collateral usually results in reduced net recovery for SBA.<sup>87</sup>

Types of Relief Available to the Borrower.

Loan workouts may include <sup>88</sup>

- ✓ Reinstatement of maturity;
- ✓ Deferment of payment;
- ✓ Postponement of any liquidation action;
- ✓ Extension of maturity; or
- ✓ Reamortizations\rescheduled accounts.

The SOP is organized as follows:

<b>Chapter</b>	<b>Description</b>	<b>Page</b>
1	Purpose and Organization	1-1
2	Regulations and Other Authorities	2-1
3	Correspondence, Reports, and Control Systems	3-1
4	General Guidelines for Liquidation Activities	4-1
5	Problem Loans and Workout Situations	5-1
6	SBA-Serviced Liquidations	6-1
7	SBA's Methods of Recovery from Collateral	7-1
8	Lender-Serviced Liquidations	8-1
9	Miscellaneous Issues Regarding Participation Loans	9-1
10	Special Programs	10-1
11	Collateral Purchased (COLPUR) by SBA and Lender	11-1

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<sup>87</sup> SOP 50 51 (2), Chapter 5, p5-1.

<sup>88</sup> SOP 50 51 (2), Chapter 5, p5-1, 5-2.

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<b>Chapter</b>	<b>Description</b>	<b>Page</b>
12	Guidelines for Personal Guaranties	12-1
13	Denial of Liability – Suit Against Participant	13-1
14	Bankruptcy Proceedings	14-1
15	Contracting with Auction Firms	15-1
16	Appraisals	16-1
17	Compromise Actions	17-1
18	Charge-Off Procedures	18-1
19	Administrative Costs, Advances, Expenses, and Recoveries	19-1
20	Effects of Competing Tax Liens (State, County, and Local) on Loan Collateral and COLPURED Property	20-1
21	Effects of Senior Competing Liens (Non-Tax Liens) on Loan Collateral and COLPURED Property	21-1
22	Insurance: Property, Life, and Public Liability	22-1
23	Disclosure of Loan Information	23-1
24	Referrals to the Office of the Inspector General	24-1
	Appendix	A-i

## **Chapter 15 – Loan Information Systems**

### **Introduction**

For direct and disaster loans, information during origination and servicing is entered into the database at the place of loan origin. Private lenders supply information on guaranteed loans by tape transmission to the SBA. Computer systems maintained at SBA's Washington, D.C. headquarters compile information from thousands of private lenders and all SBA locations that originate or service loans. Payment processing is centralized at the SBA's Denver office.

This chapter provides a brief overview of four sources of loan information:

- **PMQD:** Portfolio Management Query Display

*This system accesses all loan records in the Agency through a series of user-friendly screens. A user's manual is maintained on the SBA Intranet.*

- **DLCS and LLTS:** Delinquent Loan Collection System and Loan Liquidation Tracking System

*This system records the chronology of collection activity, and liquidation plans and results. A user's manual is maintained on the SBA Intranet.*

- **TM-1:** Portfolio Stratification System

*This system supports stratification of loan portfolios for the Asset Sales Program.*

- **RAVEN:** Portfolio Valuation System

*This system may assist the SBA Asset Sales Team in the preliminary valuation of sales portfolios.*

### Portfolio Management Query Display (PMQD)

PMQD is the central access to loan information available to staff servicing SBA loans. It includes specific screen displays that access the Loan Accounting/Loan Servicing and Surety Bond Guarantee database records. These displays show pertinent servicing, accounting, and statistical information; and provide loan payoff amounts, repayment history, and statements of account information.<sup>89</sup>

The main menu gives the user a choice of 28 display screens. The readers will be particularly interested in the following screens:

<b>Display Screen</b>	<b>Description</b>
PMQD 01: Approval/Disbursement Data	Includes total loan amount, guaranteed amount, private lender, interest rate, and date of loan.
PMQD 03: Servicing Data	Includes payment schedule, payment last paid, payment next due, principal balance, and interest accrued to date.
PMQD 04: Collection Data Miscellaneous	Includes more on the payment schedule and maturity date.
PMQD 08: Deferment Data	Includes last paid, next due, and terms of any SBA-approved deferment.
PMQD 09: Accounting Payoff Data	Includes private lender/SBA guaranty relationship, loan approval date, last payment date, interest paid to date, principal outstanding, accrued interest to date, and total payoff amount.
PMQD 10: Borrower/Bank Address	Includes complete names and addresses of the borrower and the private lender servicing the loan.
PMQD 15: Disaster Loan Status Data	Includes borrower name and address, loan origination date and amount, interest rate and terms, last payment made, and next payment due.
PMQD 26: DLCS/LLTS Combined Chronology	Includes payment amount and due date, delinquency status, and comments from the servicer as to status of collection.

<sup>89</sup> SBADCS Chapter IV.5.1, p1.

### **Delinquent Loan Collection System (DLCS) and Loan Liquidation Tracking System (LLTS)**

The DLCS is an automated, chronological “collection, servicing, and liquidation record.” SBA staff records efforts to resolve problem loans into this system. It is linked with the *Portfolio Management Query System (PMQD)*, facilitating online retrieval of the basic loan data while the servicer is recording comments about the collection status.

The LLTS is similar to the DLCS: it contains the chronology of activity on loans that are classified as being in **liquidation** or in **litigation**. When the SBA determines that workout and restructuring efforts are exhausted, the servicer changes the status to **liquidation**, and moves to exercise the SBA’s remedies available by law and in the loan documents. The servicer develops a *Liquidation Plan* identifying what will be liquidated, by whom, and over what period of time. Collateral valuations and site inspections may also be summarized as part of the plan. For those loans where collection efforts lead to litigation, the servicer changes the status to **litigation** and District Counsel takes responsibility for the legal matter.

#### **TM-1**

SBA recently acquired *TM-1* to assist the Asset Sales Team in stratifying loan portfolios for sales events. This system essentially provides access to the volumes of data fields in the SBA’s loan information systems through a *Microsoft EXCEL* “front-end”, and gives users the ability to sort loans by multiple criterion.

#### **RAVEN**

Another government agency uses *RAVEN* to assist in its preliminary valuation of loan portfolios. The Asset Sales Team should be consulted for the latest information on how *RAVEN* is being used to support the sales program.

## Chapter 16 – Non-Performing Loan Terminology

### Non-Performing Loan Classification

SBA commonly uses five general categories to classify its non-performing loans:

<p><b>Deferment:</b> When SBA agrees to defer payments (up to 12 months is allowable on SBA-serviced regular business and disaster loans), the status is changed to deferment.</p> <p><b>Past Due:</b> When SBA is not yet considering any deferment or workout, and a scheduled payment is more than 30 days late, the status is changed to past due.</p> <p><b>Delinquent:</b> When SBA is evaluating a loan for workout or restructure, the status is changed to delinquent.</p> <p><b>Liquidation:</b> When SBA exhausts workout opportunities, the status is changed to liquidation.</p> <p><b>Litigation:</b> When SBA or the borrower initiates legal action, the status is changed to litigation.</p>
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### Portfolio Classification Snapshot

The following chart presents a snapshot of the SBA portion of 7(a) guarantees, 504 loans, and Disaster loans, as of 09/30/98.<sup>90</sup>

*Dollars in Billions*

<b>Status</b>	<b>7(a) Loans SBA portion</b>	<b>504 Loans</b>	<b>Disaster Loans</b>	<b>Total</b>
Current	\$ 20.30	\$ 6.85	\$ 6.00	\$ 33.15
Deferment	.09	.01	.09	.19
Past Due & Delinquent	1.25	.01	.31	1.57
Liquidation & Litigation	1.16	.73	.50	2.39
<b>TOTAL</b>	<b>\$ 22.80</b>	<b>\$ 7.60</b>	<b>\$ 6.90</b>	<b>\$ 37.3</b>

<sup>90</sup> From “SBA Credit Program Measures Task Force Report”, 02/04/99. NOTE: Balances in the 504 Loans “current” category were adjusted.

## ***Chapter 17 – Loans in Litigation or Under Investigation***

### **Identification of Loans in Litigation**

The loan status of “*In Litigation*” means there is some type of legal action concerning that loan, such as a

- ✓ Real estate foreclosure;
- ✓ Contested chattel foreclosure;
- ✓ Lawsuit against borrower;
- ✓ Lawsuit against guarantor; and
- ✓ Lawsuit against the SBA.

The loan classification is a useful indicator of loans in litigation but the District Offices must be contacted to confirm the current litigation status. The Asset Sales Team will provide a list of loans preliminarily targeted for sale to the Office of General Counsel in each referenced District Office. A contact in each District Office will review and provide a report identifying each loan in litigation to the Asset Sales Team.

### **Legal Matters Assigned to the Department of Justice**

In general, SBA will *not* include loans assigned to the U.S. Department of Justice (DOJ) in a sale event. SBA will review loans assigned to the SBA’s Office of General Counsel on a case by case basis, and evaluate those loans for inclusion in a sale event.

SBA’s Office of General Counsel in Washington can confirm whether or not a legal matter is assigned to DOJ. The Asset Sales Team will provide a list of loans preliminarily targeted for sale to the Office of General Counsel in Washington. A contact will review and provide a report identifying each loan assigned to DOJ to the Asset Sales Team.

### **Identifying Loans under Investigation by SBA's Office of Inspector General**

SBA will *not* include loans under investigation by the SBA's Office of Inspector General (OIG) in a sale event. The Asset Sales Team will provide a list to OIG of potential loans to be sold. OIG will advise the team of any loans that should not be sold due to on-going investigations. When OIG concludes its investigation, those loans may be sold.

## **Chapter 18 – Listing of Common SBA Forms**

SBA keeps many of the commonly used forms on its website:

<http://www.sba.gov/library/forms.html>

NOTE: Be advised that the forms used for SBA loans have changed over the life of the programs. The forms that were used for older loans in the SBA portfolio may be different from those discussed in this chapter.

This chapter contains forms that may be useful to sales contractors and investors, and that are unique to SBA. The actual forms are contained in Chapter 23 of this Source Book.

### List of Forms Sorted by Number.

<b>Form Number</b>	<b>Title (actual form title)</b>
4	Application
4a	Schedule of Collateral
4i	Lender's Application for Guaranty or Participation
4l	<i>LowDoc</i> Application
147	Note for 7(a) Business Loans (with instructions)
148	Unconditional Guarantee
327	Modification or Administrative Action <ul style="list-style-type: none"> <li>▪ <i>Used for any modifications to loan terms.</i></li> </ul>
403	Disaster Loans
415a	Statement of Personal History and Qualification of Management
750	Loan Guaranty Agreement (Deferred Participation) <ul style="list-style-type: none"> <li>▪ <i>The guaranty agreement between the SBA and the lender.</i></li> </ul>
912	Statement of Personal History
1149	Lender's Transcript of Account
1183	Lender Field Visit Report
1505	Note for CDC/504 Program Loans (with instructions)

MPQ-APPL	Prequalification Loan Application: Minority-Owned Business
WPQAPPL1	Prequalification Loan Application: Women-Owned Business

List of Forms Sorted by Title.

<b>Form Number</b>	<b>Title (modified for ease in searching)</b>
4	Application for 7(a) Loans
4i	Application for Guaranty or Participation from Lender
4l	Application for <i>LowDoc</i> Loans
MPQ-APPL	Application for Prequalification Loan: Minority-Owned Business
WPQAPPL1	Application for Prequalification Loan: Women-Owned Business
1183	Lender Field Visit Report
1149	Lender's Transcript of Account
750	Loan Guaranty Agreement (Deferred Participation) <ul style="list-style-type: none"> <li>▪ <i>The guaranty agreement between the SBA and the lender.</i></li> </ul>
327	Modification or Administrative Action <ul style="list-style-type: none"> <li>▪ <i>Used for any modifications to loan terms.</i></li> </ul>
147	Promissory Note for 7(a) Business Loans (with instructions)
1505	Promissory Note for CDC/504 Program Loans (with instructions)
403	Promissory Note for Disaster Loans
4a	Schedule of Collateral
912	Statement of Personal History
415a	Statement of Personal History and Qualification of Management
148	Unconditional Guarantee

1998 Forms Changes.

SBA prepared a memorandum detailing the changes made to forms in 1998.<sup>91</sup> The affected forms include the 7(a) Note, 504 Note, and Unconditional Guarantee. This memorandum follows the forms in Chapter 23.

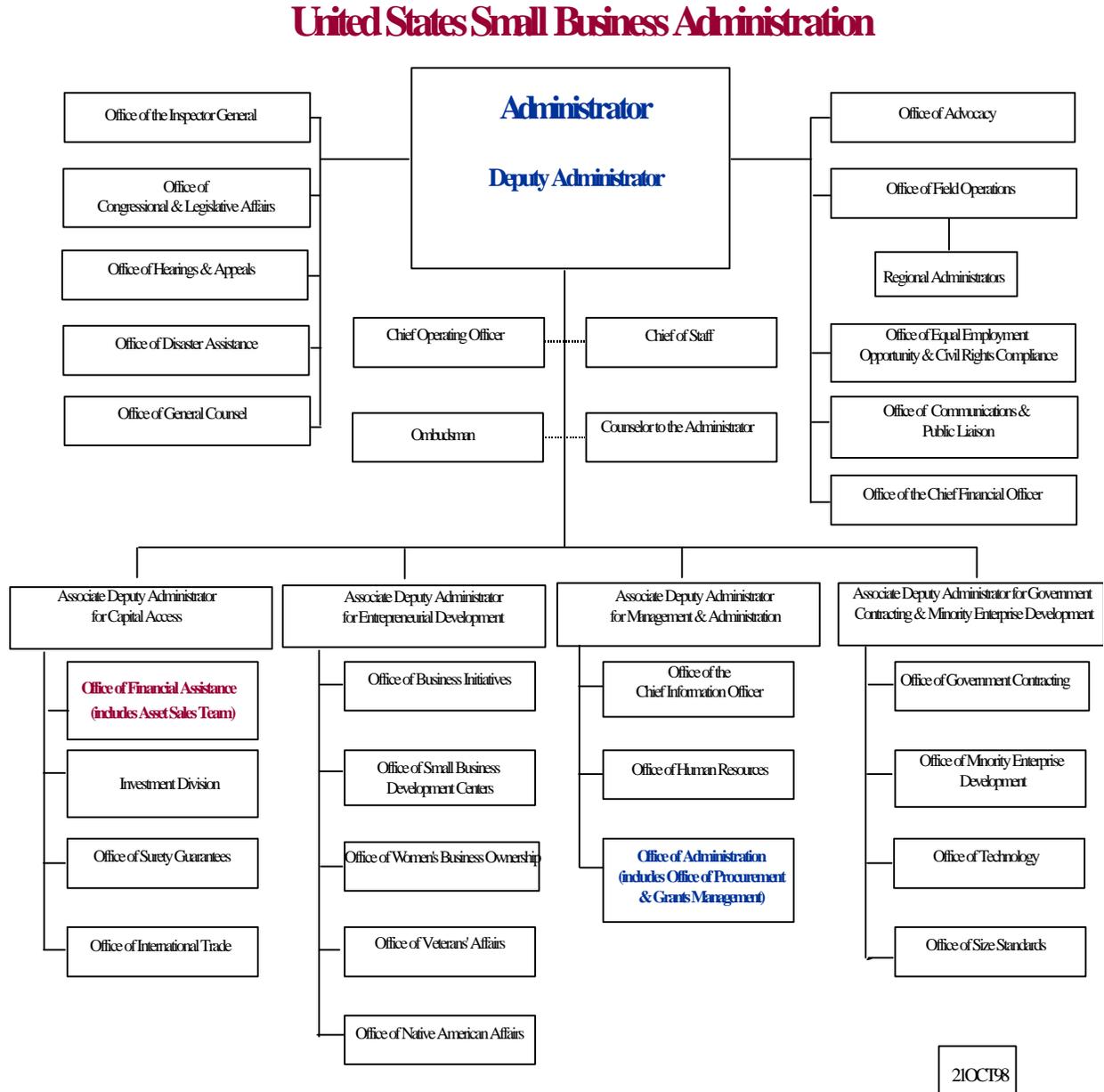
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<sup>91</sup> <http://www.sba.gov/sbaforms/overview.pdf>

## Section 3: Organizational Structure

### Chapter 19 – Organization of SBA

#### Organization Chart



A brief description of the offices follows on the next page.

## Organization Description

(listed alphabetically)

<b>SBA Division/Office</b>	<b>Description</b>
<i>Investment Division</i>	Manages the Small Business Investment Company (SBIC) Program, which Congress created to fill the gap between the availability of venture capital and the needs of small businesses in start-up and growth situations. <sup>92</sup>
<i>Office of Administration</i>	Includes administrative and procurement functions of the SBA, such as the Office of Procurement and Grant Management.
<i>Office of Advocacy</i>	Encourages policies that support the development and growth of American small business; represents the nation's small businesses within the federal government; conducts policy studies; and compiles statistics on small business characteristics and contributions. <sup>93</sup>
<i>Office of Business Initiatives</i>	Administers programs and activities designed to provide information, education, and training to prospective and existing small business owners. <sup>94</sup>
<i>Office of Communications &amp; Public Liaison</i>	Develops and implements effective communications strategies to ensure that SBA's mission, programs, services and initiatives are articulated clearly and consistently to the American public in general and the small community in specific. <sup>95</sup>

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<sup>92</sup> <http://www.sba.gov/INV/>

<sup>93</sup> <http://www.sba.gov/ADVO/>

<sup>94</sup> <http://www.sba.gov/BI>

<sup>95</sup> <http://www.sba.gov/opc>

<b>SBA Division/Office</b>	<b>Description</b>
<i>Office of Congressional &amp; Legislative Affairs</i>	Manages the SBA's relationships with congressional offices and coordinates legislative matters.
<i>Office of Disaster Assistance</i>	Offers financial assistance to those who are trying to rebuild their homes and businesses in the aftermath of a disaster, by providing low-interest loans through the Disaster Loan Program. <sup>96</sup>
<i>Office of Equal Employment Opportunity &amp; Civil Right Compliance</i>	Oversees compliance with EEO and civil rights laws within the Agency and in programmatic implementation.
<i>Office of Field Operations</i>	Manages the operations of the regional, district, field, branch, and point of duty offices of the SBA.
<i>Office of Financial Assistance</i>	Implements the regular business loan programs, oversees originating lenders, services owned loans, sells owned property, and sells loans (through the Asset Sales Team).
<i>Office of General Counsel</i>	Provides legal services for all areas of the Agency.
<i>Office of Government Contracting</i>	Advocates, facilitates, and creates environments for the maximum practicable participation by small, small disadvantages, and small women-owned businesses, in contracts awarded by the federal government and in subcontracts awarded by its large prime contractors. <sup>97</sup>
<i>Office of Hearing &amp; Appeals</i>	Carries out the appellate function; develops FOIA policy and procedures; and provides guidance about the disclosure of Agency records. <sup>98</sup>
<i>Office of Human Resources</i>	Coordinates employee relations and oversees recruiting, hiring, counseling, and union matters.

<sup>96</sup> <http://www.sba.gov/DISASTER/>

<sup>97</sup> <http://www.sba.gov/GC/>

<sup>98</sup> <http://www.sba.gov/foia/>

<b>SBA Division/Office</b>	<b>Description</b>
<i>Office of Inspector General</i>	Conducts and supervises audits, inspections, and investigations relating to Agency programs and supporting operations; detects and prevents waste, fraud, and abuse; and promotes economy, efficiency, and effectiveness in the administration and management of Agency programs. <sup>99</sup>
<i>Office of International Trade</i>	Works in cooperation with other federal agencies and public and private sector groups to encourage and assist small business exports. <sup>100</sup>
<i>Office of Minority Enterprise Development</i>	Assists socially and economically disadvantaged business persons to ensure opportunity to participate more fully and successfully in the mainstream National economy. <sup>101</sup>
<i>Office of Native American Affairs</i>	Assists Native American business persons in developing and financing business opportunities.
<i>Office of Size Standards</i>	Reviews the Agency's small business size determinations and makes recommendations for modifications, as warranted by studies and research into the national economy.
<i>Office of Small Business Development Centers</i>	Provides management assistance to current and prospective small business owners through one-stop centers. <sup>102</sup>
<i>Office of Surety Guarantees</i>	Administers the Surety Bond Guarantee Program, which provides small and minority contractors with opportunities for which they would not otherwise bid. <sup>103</sup>

<sup>99</sup> <http://www.sba.gov/IG/>

<sup>100</sup> <http://www.sba.gov/oit/>

<sup>101</sup> <http://www.sba.gov/med/>

<sup>102</sup> <http://www.sba.gov/SBDC>

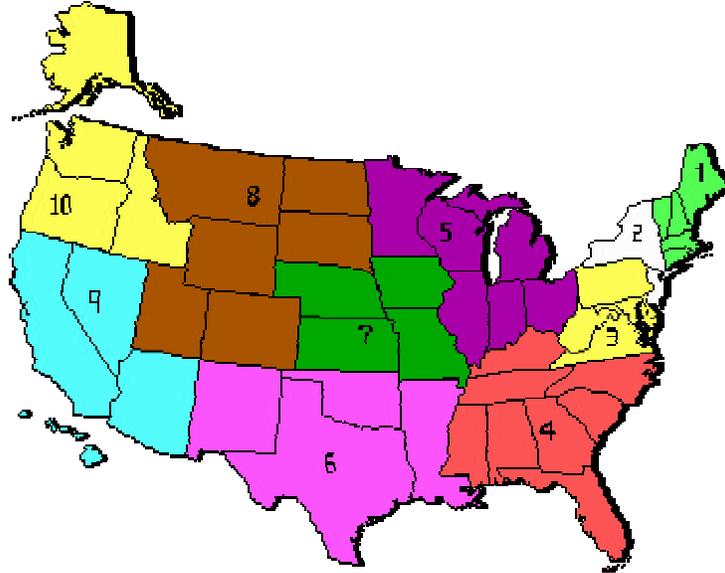
<sup>103</sup> <http://www.sba.gov/osg/>

<b>SBA Division/Office</b>	<b>Description</b>
<i>Office of Technology</i>	Provides assistance in commercializing the results of both federal research and development programs, as mandated by the Small Business Innovation Development Act of 1982 and the Small Business Research and Development Enhancement Act of 1992.
<i>Office of the Chief Financial Officer</i>	Manages the financial and budgeting matters of the Agency.
<i>Office of the Chief Information Officer</i>	Manages the information technology needs of the Agency.
<i>Office of Veterans' Affairs</i>	Assists Veteran business persons in developing and financing business opportunities.
<i>Office of Women's Business Ownership</i>	Delivers programs to help women develop and expand businesses, develop successful loan packages, or break into the federal procurement or export markets. <sup>104</sup>
<i>Ombudsman</i>	Fields inquiries and complaints from the public and seeks a satisfactory resolution to program issues.
<i>Regional Administrators</i>	The senior position in the 10 regional offices headquartered in Boston (Region 1), New York (Region 2), Philadelphia (Region 3), Atlanta (Region 4), Chicago (Region 5), Dallas (Region 6), Kansas City (Region 7), Denver (Region 8), San Francisco (Region 9), and Seattle (Region 10).

<sup>104</sup> <http://www.sba.gov/womeninbusiness/>

*Regional, District, Field, and Servicing Center Offices*

**Regions**



<b>REGION</b>	<b>HEADQUARTERS</b>	<b>AREA<sup>105</sup></b>
1	Boston	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2	New York	New Jersey, New York, Puerto Rico
3	Philadelphia	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia
4	Atlanta	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
5	Chicago	Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin
6	Dallas	Arkansas, Louisiana, New Mexico, Oklahoma, Texas
7	Kansas City	Iowa, Kansas, Missouri, Nebraska
8	Denver	Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming
9	San Francisco	Arizona, California, Guam, Hawaii, Nevada
10	Seattle	Alaska, Idaho, Oregon, Washington

<sup>105</sup> <http://www.sba.gov/textonly/regions/regionmap.html>

## Centers

SBA has regional, district, and branch offices, plus disaster loan processing centers, regular program loan processing centers, disaster home loan servicing centers, commercial servicing centers, and a liquidation/litigation center.

REGION	OFFICES	PROCESSING CENTER	DISASTER LOAN CENTER	SERVICING CENTER
<b>BOSTON</b>  <b>Region 1</b>	Boston Regional Boston District Springfield Branch Montpelier District Hartford District Providence District Augusta District Concord District			
<b>NEW YORK</b>  <b>Region 2</b>	New York Regional New York District Elmira Branch Rochester Branch <u>Varik Street</u> Melville Branch Syracuse District Puerto Rico & V.I. Buffalo District Newark District <u>Niagara Falls Center</u>			<u>Home Loan</u> <sup>107</sup>
<b>PHILADELPHIA</b>  <b>Region 3</b>	Philadelphia Regional Philadelphia District Richmond District Harrisburg Branch Wilkes-Barre Branch Charleston Branch Wilmington Branch Washington District Pittsburgh District Baltimore District Clarksburg District <u>Hazard, KY Center</u>	<u>LowDoc</u> <sup>108</sup>		

<sup>106</sup> AREA: Connecticut, District of Columbia, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virgin Islands, Virginia, and West Virginia.

<sup>107</sup> AREA: Boston Region and New York Region, with the exception of Puerto Rico (those loans are serviced in Hato Rey).

<sup>108</sup> AREA: Boston Region, New York Region, Philadelphia Region, Atlanta Region, and Chicago Region

**DRAFT Asset Sales Source Book for Contractors and Investors, Version 3**  
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REGION	OFFICES	PROCESSING CENTER	DISASTER LOAN CENTER	SERVICING CENTER
<p align="center"><b>ATLANTA</b></p> <p align="center"><b>Region 4</b></p>	Atlanta Regional Atlanta District <u>Atlanta Center</u> <u>Birmingham Center</u> Gulfport Branch Miami District Louisville District Birmingham District Charlotte District Columbia District Jackson District Nashville District Jacksonville District		<p align="center"><u>Disaster</u><sup>109</sup></p>	<p align="center"><u>Home Loan</u><sup>110</sup></p>
<p align="center"><b>CHICAGO</b></p> <p align="center"><b>Region 5</b></p>	Chicago Regional Chicago District Minneapolis District Detroit District Springfield Branch Milwaukee Branch Cincinnati Branch Marquette Branch Cleveland District Indianapolis District Madison District Columbus District			
<p align="center"><b>DALLAS</b></p> <p align="center"><b>Region 6</b></p>	Dallas Regional Dallas District <u>Little Rock Center</u> <u>El Paso Center</u> Corpus Christi Branch L. Rio Grande District Little Rock District Houston District El Paso District Lubbock District New Orleans District Oklahoma City District San Antonio District Albuquerque District <u>Fort Worth</u>		<p align="center"><u>Disaster</u><sup>111</sup></p>	<p align="center"><u>Commercial</u><sup>112</sup> <u>Home Loan</u><sup>113</sup></p>

<sup>109</sup> AREA: Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee and Wisconsin

<sup>110</sup> AREA: Philadelphia Region, Atlanta Region, and Chicago Region, except the Virgin Island loans will be serviced in St. Thomas or St. Croix

<sup>111</sup> AREA: Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah and Wyoming

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REGION	OFFICES	PROCESSING CENTER	DISASTER LOAN CENTER	SERVICING CENTER
<b>KANSAS CITY</b>  <b>Region 7</b>	Kansas City Regional Kansas City District Springfield Branch Cedar Rapids District Des Moines District Omaha District Wichita District St. Louis District			
<b>DENVER</b>  <b>Region 8</b>	Denver Regional Denver District Fargo District Sioux Falls District Salt Lake City District Helena District Casper District			
<b>SAN FRANCISCO</b>  <b>Region 9</b>	San Fran Regional San Fran District Los Angeles District Santa Ana District <u>Santa Ana Center</u> <u>Santa Ana HLSC</u> Sacramento District <u>Sacramento Disaster</u> <u>Sacramento Center</u>  Fresno District Las Vegas District Honolulu District San Diego District Phoenix District <u>Fresno Center</u> Agana Branch	<u>Liq/Litigation</u> <sup>114</sup>  <u>PLP/FASTRAK</u> , <sup>115</sup> <u>LowDoc</u> <sup>116</sup>	<u>Disaster</u> <sup>117</sup>	<u>Home Loan</u> <sup>118</sup>    <u>Commercial</u> <sup>119</sup>

<sup>112</sup> AREA: Boston Region, New York Region, Philadelphia Region, Atlanta Region, plus a portion of the Dallas Region

<sup>113</sup> AREA: Dallas Region, Kansas City Region, and Denver Region

<sup>114</sup> AREA: California disaster loans only

<sup>115</sup> AREA: PLP and FASTRAK processing nationwide

<sup>116</sup> AREA: LowDoc processing for Dallas, Kansas City, Denver, San Francisco, and Seattle regions

<sup>117</sup> AREA: Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon and Washington

<sup>118</sup> AREA: San Francisco Region and Seattle Region

<sup>119</sup> AREA: Kansas City Region, Denver Region, San Francisco Region, Seattle Region, Chicago Region, and a portion of the Dallas Region

REGION	OFFICES	PROCESSING CENTER	DISASTER LOAN CENTER	SERVICING CENTER
<b>SEATTLE</b>  <b>Region 10</b>	Seattle Regional Seattle District Anchorage District Portland District Boise District Spokane District			

Life Cycle of SBA Loans.

Direct disaster loans and about 75% of all guaranteed loans originate in the *disaster loan centers* or the *regular program loan processing centers*, where the loans are also serviced until fully disbursed. At that time SBA transfers the loan servicing to a *commercial loan servicing center* or *home loan servicing center*. If the commercial or disaster business loan becomes delinquent and it is not quickly brought current, SBA transfers the servicing to the local district office for further workout. If a workout or restructure is put in place and the borrower makes three consecutive payments as agreed, SBA transfers the servicing back to the servicing center. If a workout cannot be consummated and the loan collection efforts turn to liquidation, the district office retains responsibility through disposition of the collateral. The exceptions are the *liquidation/litigation center* in Santa Ana, which retains the responsibility for liquidating disaster loans for California, and the *home loan servicing centers*, which service and liquidate the majority of their workout cases.

**Office Listing**

SBA has 70 District Offices and numerous Branch Offices spread throughout the United States and its territories. There is a listing of the offices and contact information in Chapter 22, and on the SBA website.<sup>120</sup>

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<sup>120</sup> <http://www.sba.gov/gopher/Local-Information/Local-SBA-Offices/>

## **Section Four: Supporting Information**

### ***Chapter 20 – Glossary***

#### 504 Program:

SBA established this program to foster economic development, create or preserve job opportunities, and stimulate growth, expansion, and modernization of small businesses.

#### 7(a) Business Loans:

Loans to finance construction and expansion; acquisition of equipment, machinery and supplies; and to supply working capital.

#### ARM:

An adjustable rate mortgage. The interest rate may be adjusted on a periodic basis. There is normally a maximum cap, lifetime cap and a floor associated with the ability to adjust the rate.

#### Adverse Change:

An alteration in the borrower's collateral, financial or business condition which materially increases the risk of a loan's collectability.

#### Amortization:

The gradual reduction of debt by periodic payment sufficient to pay current interest and to eliminate the principal at maturity.

#### Appraisal:

The act of placing a value upon property, either real or personal.

#### Assumptions:

The undertaking or adoption of debts or obligations.

**Bankruptcy:**

A proceeding in which the property of a debtor is taken over by a receiver or trustee in bankruptcy for the benefit of the creditors. This act is performed under the jurisdiction of the courts as prescribed by the National Bankruptcy Act or State insolvency laws.

**Cap:**

The maximum increase allowed on periodic changes to an adjustable rate mortgage loan.

**Case Number:**

A predetermined ten-digit number assigned to accepted loan applications to identify and control the application from the date of acceptance through final disposition.

**Certified Development Company (CDC):**

An entity authorized by SBA to deliver Section 504 financing to small businesses.

**Certified Lender Program (CLP):**

Under this program, designated lenders process, close, service, and may liquidate SBA guaranteed loans. SBA gives priority to applications and servicing actions submitted by CLP lenders.

**Charged-off loan:**

An uncollectable loan the principal and accrued interest of which were removed from the loan accounting records. Referral of an account to DOJ is based on the presumption of collectability.

**Collateral:**

Something of value pledged to ensure the fulfillment of an obligation.

**Cohort:**

Those direct loans obligated or loan guarantees committed in the same year, even if disbursements occur in subsequent years. The reference year is the Fiscal Year.

**Colpur:**

Abbreviation for collateral purchased, referring to borrower's pledged assets, acquired usually through a foreclosure sale.

**Compromise:**

The terms "compromise" or "settlement" can be used interchangeably or together to mean the resolution of a debt for less than the amount due through mutual agreement between debtor and SBA.

**Contingent Liability:**

A possible obligation that may be incurred depending upon the occurrence of a future event, e.g., possible legal obligation depending on the outcome of pending litigation.

**Credit Rating:**

A grade assigned to a business concern to denote the net worth and credit standing to which the concern is entitled in the opinion of the rating agency as a result of its investigations.

**Debenture:**

Debt instrument evidencing the holders right to receive interest and principal installments from the named obligor. Applies to all forms of unsecured, long-term debt evidenced by a certificate of debt.

**Debt Financing:**

The provision of long term loans to small business concerns in exchange for debt securities or a note.

**Defaults:**

Loans for which installment remains unpaid 30 days or more after its due date. The 30 to 60 days is classified as "past due" and 60 days and over is classified as "delinquent." A loan is deemed to be "current" if the installment remains unpaid for less than 30 days subsequent to

the due date. Defaults also occur in rent payments under Lease Guaranty and/or failing to complete contracts guaranteed by the Surety Bond program.

**Deferred Loan:**

Loans whose principal installments are postponed for a specified of time.

**Delinquent:**

Loans for which installment remains unpaid 60 days and over is classified as "delinquent."

**Demand:**

The lender may demand in writing that SBA honor its guarantee if the Borrower is in default on any installment for more than 60 calendar days (or less if the SBA agrees) and the default has not been cured. If a Borrower cures a default before a Lender requests purchase by SBA, the Lender's right to request purchase on that default lapses.

**Direct Loan:**

A disbursement of funds by the Federal Government to a non-Federal borrower under contract that requires the repayment of such funds within a certain period of time, with or without interest.

**Disaster Loan:**

Low interest loans made to victims of disasters to repair physical damage or overcome economic injury.

**Economic Injury Loans (EIDL):**

Loans made to small firms suffering damage as a result of disasters, as determined by the President, SBA Administrator, or Secretary of Agriculture, to provide working capital and pay financial obligations.

Equity Financing:

The provision of funds for capital or operating expenses in exchange for capital stock, stock purchase warrants and options in the business financed. Equity financing includes long-term subordinated securities containing stock options and/or warrants.

Escrow Accounts:

Funds placed in trust by a borrower for a specific purpose and to be delivered to him only upon the fulfillment of certain conditions.

Final Action:

The decision to approve or decline an application for financial assistance.

Financing:

The provision of operating funds to a business (by either loans or purchase of debt securities or capital stock).

Financial Reports:

Reports commonly required from applicants requesting financial assistance. For example:

1. Balance Sheet:

A report of the status of a firm's assets, liabilities and owners equity at a given time.

2. Profit and Loss Statement:

A report of income and expense which shows the results of business operations or net income for a specified period of time.

3. Cash Flow:

A report which analyzes the projected source and disposition of cash during a past or future accounting period.

**Fiscal Year:**

The Government's budgetary and fiscal account period. It begins on Oct. 1 and runs through Sept. 30 of the following year. Is designated by the calendar year in which it ends e.g., FY 1996 runs from Oct. 1, 1995, through Sept. 30, 1996.

**Floor:**

The lowest interest rate at which interest may accrue on an adjustable rate mortgage loan (ARM).

**Foreclosure:**

The act of the mortgagee (lender), upon default in the payment of interest or principal of a mortgage, of enforcing payment of the debt by selling the underlying security.

**Guaranteed Loan:**

A loan made and serviced by a lending institution under agreement that SBA will purchase the guaranteed portion if the borrower defaults. Also includes SBA guarantees of debentures issued by Certified Development Companies.

**Hazard Insurance:**

Insurance required and made payable to SBA covering certain risks on real and personal property used for securing the loan.

**Immediate Participation Loan (IP):**

SBA and a private lending institution each put up part of the funds immediately. SBA's share administratively may not exceed \$150,000 for 7(a), (Statutory limitation is \$350,000).

**Insolvency:**

The inability of a borrower to meet financial obligations as they mature.

**Interest:**

An amount paid for the use of funds.

**Interest Rate:**

The rate, expressed as a percentage, at which interest accrues on an obligation.

**Intermediary:**

The entity in the Microloan Program that receives SBA financial assistance and makes loans to small businesses in amounts up to \$25,000.

**Inverse Order of Maturity:**

When payments are received from borrowers that are larger than the authorized repayment schedules - the overpayment is credited to the final installments of the principal which reduces the maturity of the loan and does not affect the original repayment schedule.

**Judgment:**

Judicial determination of the existence of an indebtedness.

**Lease:**

A contract between the owner (lessor) and the tenant (lessee) stating the conditions under which tenant may occupy or use the property.

**Lending Institution:**

Any institution, including a commercial bank, savings and loan association, commercial finance company, or other lender qualified to participate with SBA in the making of loans.

**Lien:**

A charge upon or security interest in real or personal property maintained to ensure the satisfaction of a debt or duty ordinarily arising by operation of law.

**Life Time Cap:**

The highest interest rate at which interest may accrue on an adjustable rate mortgage loan (ARM).

**Line of Credit:**

The amount which a person or concern is entitled to borrow at any given time. It constitutes the total potential credit balance at the disposal of a borrower.

**Liquidating Value:**

The net value realizable in the sale (ordinarily a forced sale) of a business or a particular asset.

**Loan Guaranty:**

Any guaranty with respect to the payment of all or part of the principal and/or interest on any debt obligation of a non-Federal borrower to a Federal Lender.

**LTV Ratio:**

The ratio of the loan balance to the value of the underlying collateral.

**Maturity Date:**

The date at which the obligation is scheduled to be completely repaid.

**Maturity Extensions:**

Extensions beyond the allowable period for repayment of a loan (maturity) in cases involving severe financial hardship especially for loans approved for physical disasters.

**Merger:**

A combination of two or more corporations wherein the dominant unit absorbs the passive ones, the forms continuing operation usually under the same name. In a consolidation two units combine and are succeeded by a new corporation, usually with a new title.

**Mission of SBA:**

The fundamental purposes of the U.S. Small Business Administration are to:

- ✓ aid, counsel, assist, and protect the interests of small business;

- ✓ ensure that small business concerns receive a fair proportion of Government purchases, contracts, and subcontracts, as well as the sales of Government property; make loans to small business concerns, state and local development companies, and the victims of disaster; license, regulate, and make loans to small business investment companies; improve the management skills of small business owners, potential owners, and managers.

Within broad legislative mandate and in conformance with the national goals established by the Small Business Administration, the Agency's mission is defined as follows:

- ✓ To promote small business contribution to the economic growth and competitive environment;
- ✓ To stimulate small business in deprived areas;
- ✓ To promote entrepreneurial opportunity for disadvantaged persons, including minorities;
- ✓ To furnish financial aid to victims of disaster or displacement and other special situations;
- ✓ To provide general support to the well-being of the small business community through the provision of Agency services, including management and technical assistance.

#### Mortgage:

A deed given to secure the repayment of a loan made by the mortgagee (lender). In legal contemplation there are two types: (1) title theory - operates as a transfer of the legal title of the property to the mortgagee, and (2) lien theory - creates a lien upon the property in favor of the mortgagee.

#### Non-performing Loan:

Any loan in which the last scheduled payment is 90 days or greater in arrears.

Notes and Accounts Receivable:

A secured or unsecured receivable evidenced by a note or open account arising from activities involving liquidation and disposal of loan collateral.

Obligations:

Liabilities incurred. Technically defined as "amount of orders placed, contracts awarded, services received, and similar transactions during a given period which will require payments during the same or a future period." This includes the SBA share of loans approved, ignoring for the purposes of this particular definition the fact that guaranteed loans are "funded" at less than 100 percent of the SBA share and that for the annual certification under Sec. 1311 of the Supplemental Appropriations Act, 1955, valid loan obligations include only those where a loan agreement has been executed.

Partnership:

A legal relationship existing between 2 or more persons contractually associated as joint principals in a business.

Performing Loan:

Any loan in which the last scheduled payment is *not* 90 days or greater in arrears.

Physical Damage Loans:

Loans made to repair, rehabilitate or replace property destroyed as a result of storms, floods, earthquakes or other catastrophes. Both home and business disaster loans may be made for any period up to 30 years. SBA may also make long term loans to commercial or industrial enterprises which are major sources of employment in stricken areas. There is no limitation on the size of the loan for physical or economic injury to these enterprises.

Portfolio Sale:

A sale of multiple assets, which may be loan assets, Colpur assets or both. The sale is for a fixed price and may include use of bid "optimization" techniques.

**Preferred Lenders Program (PLP):**

Under this program, designated lenders process, close, service, and liquidate SBA guaranteed loans with reduced requirements for documentation to and prior approval by SBA.

**Problem Loan:**

An intensively serviced loan which contemplates potential problems. Such loans warrant constant attention and follow up to ensure that any difficulties arising are fully understood and readily resolved with appropriate assistance.

**Purchase:**

If a borrower is in default for at least 60 days, the lender can request SBA to honor its guaranty by purchasing SBA's pro-rata share of debt outstanding to the lender. The purchase includes principal and up to 120 days of accrued interest.

**Purchase Rate:**

The total actual and projected dollars purchased, including principal and interest, on a guarantee loan as a percentage of the total dollars disbursed for a given cohort of loans.

**Ratio:**

Denotes relationship of items within and between financial statements, e.g., current ratio, quick ratio, inventory turnover ratio and debt/net worth ratio.

**Receiver:**

A person appointed by a court to take custody of the property of debtor and to preserve the business for the benefit of creditors under court supervision.

**Reconsideration:**

Request, based upon new or additional information for re-evaluation and determination of a previously declined loan application.

**Recovery:**

The dollars collected subsequent to purchase, net of expenses, on a guaranteed loan.

**Recovery Rate:**

The total and actual projected collections net of expenses subsequent to purchase as a percentage of total projected dollars purchased for a given cohort of Loans.

**Retained Interest Sale:**

Sale of a minority equity interest in a pool of SBA loan and/or Colpur assets to an investor, who will convert the assets to cash and share net proceeds with SBA. The seller (SBA) retains a majority, but passive, interest in the pool of assets after sale of the minority interest to the investor.

**SBA Share:**

That portion of approved loans in which SBA has actual or potential loss exposure-represented by the total amount of direct loans, the SBA share of immediate participation loans and the SBA share of guaranteed loans.

**Seasoned Loan:**

The principal has been reduced more than one third. The repayment record for the previous twelve (12) months is satisfactory, i.e., no deferments of principal and/or interest during this period, and no payments more than 60 days past due in the last twelve months. Collateral is being maintained at or near approval levels. The latest financial statements are favorable. The account is satisfactory in other respects.

**Secondary Market:**

That portion of a guaranteed loan sold by the original lender to a secondary participant, such as other banks, institutional investors, insurance companies, credit unions, and pension funds.

**Servicing Office:**

The SBA office responsible for all administrative and clerical functions incident to administration and liquidation of all loans under its jurisdiction. Organizationally the servicing offices of SBA are grouped in 10 separate regions for administrative direction and control.

**Set-Asides:**

Federal procurement of supplies and services which are restricted for exclusive bidding by small business.

**Settlement:**

The terms "compromise" or "settlement" can be used interchangeably or together to mean the resolution of a debt for less than the amount due through mutual agreement between debtor and SBA.

**Small Business:**

Generally, a business that is independently owned and operated, not dominant in its field, and meets SBA size standards as published in the Federal Register.

**Small Business Investment Company (SBIC):**

Privately owned and operated venture capital companies that use their own capital and funds borrowed from the SBA to finance small businesses.

**Small Business Lending Company (SBLC):**

A nondepository lending institution licensed by SBA. SBA supervises, examines, and regulates SBLCs. An SBLC is subject to all applicable SBA regulations, including those governing lenders.

**Sole Proprietorship:**

A business entity privately owned and managed by a single individual.

**Special Purpose Loans:**

7 CFR Part 120 identifies SBA's special purpose loans to include these programs: Disabled Assistance, Businesses Owned by Low-Income Individuals, Energy Conservation, Export Working Capital, International Trade, Qualified Employee Trusts, Veterans, Pollution Control, Loans to Participants in the 8(a) Program, Defense Economic Transition Assistance, CAPLines, and Builder's Loans.

Standard Industrial Classification (SIC):

The classification covers the entire field of economic activities and is a classification of establishments by type of activity in which engaged. This classification by codes facilitates the collection, tabulation, and presentation of data used by government and state agencies, trade associations and private research organizations.

Standard Operation Procedures (SOP):

Administrative publications issued for the use of employees in conducting agency business. They are the main source of information about SBA's internal operations and contain all mandatory instructions - including Agency policies (preferred outcomes or objectives) and procedures (required activities and functions).

Subsidy Cost:

Estimated long-term cost to the Government of a direct loan or loan guarantee, calculate on net present value basis, excluding administrative costs and any incidental effects on government outlays.

Subordination Agreements:

Agreements between SBA lien holders under which the priority of paying off claims is structured.

Troubled Loans:

A loan that is in liquidation status or where loan repayment is 60 or more days past due.

Use of Proceeds:

The purposes for which the loan funds will be used as stated in the loan authorization.

WAC:

The current weighted average gross coupon. Computed as:

$$\frac{(\text{Current Gross Rate} \times \text{Current Collateral Balance})}{(\text{Current Collateral Balance})}$$

WAM:

The current weighted average remaining stated term to maturity. The maturity is based on the number of payments remaining, not the amount of time remaining before the maturity date. Thus, delinquencies increase maturities. Computed as:

$$\frac{(\text{Maturity date} - \text{Interest Paid to Date}) \times \text{Current Collateral Balance}}{(\text{Current Collateral Balance})}$$

## ***Chapter 21 – Participating Lenders***

SBA maintains a listing of its participating lenders on the SBA website:

Certified Development Company (CDC) Participants

<http://www.sba.gov/gopher/Local-Information/Certified-Development-Companies/>

Microloan Participants

<http://www.sba.gov/gopher/Local-Information/Microloan-Lender-Participants/>

PLP/CLP Participants

<http://www.sba.gov/gopher/Local-Information/Certified-Preferred-Lenders/>

## Chapter 22 – SBA Offices: Contact Information

Source: SBA website, at <http://www.sba.gov/gopher/Local-Information/Local-SBA-Offices/>

TYPE	CITY	STATE	ZIP CODE	ADDRESS	PHONE NUMBER
DO <sup>121</sup>	AUGUSTA	ME	04330	40 WESTERN AVE.	(207)622-8378 FAX (207)622-8277
RO <sup>122</sup>	BOSTON	MA	02222-1093	10 CAUSEWAY ST.	(617)565-8415 FAX (617)565-8420
DO	BOSTON	MA	02222-1093	10 CAUSEWAY ST.	(617)565-5590 FAX (617)565-5598
DO	CONCORD	NH	03301	143 N. MAIN ST.	(603)225-1400 FAX (603)225-1409
DO	HARTFORD	CT	06106	330 MAIN ST.	(203)240-4700 FAX (203)240-4659
DO	MONTPELIER	VT	05602	87 STATE ST.	(802)828-4422 FAX (802)828-4485
DO	PROVIDENCE	RI	02903	380 WESTMINISTER MALL	(401)528-4562 FAX (401)528-4539
BO <sup>123</sup>	SPRINGFIELD	MA	01103	1441 MAIN ST. SUITE 410	(413)785-0268 FAX (413)785-0267
DO	BUFFALO	NY	14202	111 WEST HURON ST.	(716)551-4301 FAX (716)551-4418
DO	ELMIRA	NY	14901	333 EAST WATER ST.	(607)734-8130 FAX (607)733-4656
DO	HATO REY	PR	00918	252 PONCE DE LEON AVE.	(809)766-5572 FAX (809)766-5309
BO	MELVILLE	NY	11747	35 PINELAWN RD. SUITE 207W	(516)454-0750 FAX (516)454-0769
DO	NEWARK	NJ	07102	TWO GATEWAY CTR, 4THFL.	(973)645-2434 FAX (973)645-6265
RO	NEW YORK	NY	10278	26 FEDERAL PLAZA SUITE 3108	(212)264-1450 FAX (212)264-0038
DO	NEW YORK	NY	10278	26 FEDERAL PLAZA SUITE 3100	(212)264-2454 FAX (212)264-7751
BO	ROCHESTER	NY	14614	100 STATE ST.	(716)263-6700 FAX (716)263-3146
POD <sup>124</sup>	ST. CROIX	VI	00820	3013 GOLDEN ROCK	(809)778-5380 FAX (809)778-1102
POD	ST. THOMAS	VI	00802	3800 CROWN BAY	(809)774-8530 FAX (809)776-2312
DO	SYRACUSE	NY	13202	401 S. SALINA ST. 5th Floor	(315)471-9393 FAX (315)471-9288

<sup>121</sup> District Office

<sup>122</sup> Regional Office

<sup>123</sup> Branch Office

<sup>124</sup> Post of Duty

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TYPE	CITY	STATE	ZIP CODE	ADDRESS	PHONE NUMBER
DO	BALTIMORE	MD	21201-2525	10 S. HOWARD ST.	(410)962-4392 FAX (410)962-1805
BO	CHARLESTON	WV	25301	405 CAPITOL ST. SUITE 412	(304)347-5220 FAX (304)347-5350
DO	CLARKSBURG	WV	26301	168 W. MAIN ST.	(304)623-5631 FAX (304)623-0023
BO	HARRISBURG	PA	17101	100 CHESTNUT ST.	(717)782-3840 FAX (717)782-4839
DO	PHILADELPHIA	PA	19107	900 MARKET STREET 5TH FLOOR	(215)580-2722 FAX (215)580-2762
DO	PITTSBURGH	PA	15222-4004	1000 LIBERTY AVE. FEDERAL BLDG. ROOM 1128	(412)395-6560 FAX (412)395-6562
DO	RICHMOND	VA	23229	1504 SANTA ROSA RD. DALE BLDG STE 200	(804)771-2400 FAX (804)771-8018
DO	WASHINGTON	DC	20005	1110 VERMONT AVE., N.W.	(202)606-4000 FAX (202)606-4225
BO	WILKES-BARRE	PA	18701-3589	20 N. PENNSYLVANIA AVE.	(717)826-6497 FAX (717)826-6287
BO	WILMINGTON	DE	19801-3011	824 N. MARKET ST.	(302)573-6294 FAX (302)573-6060
RO	ATLANTA	GA	30309-2482	1720 PEACHTREE RD., NW SOUTH TOWER, STE. 496	(404)347-4999 FAX (404)347-2355
DO	ATLANTA	GA	30309-2482	1720 PEACHTREE RD., NW 6TH FLOOR	(404)347-4147 FAX (404)347-4745
DO	BIRMINGHAM	AL	35203-2398	2121 8TH AVE. N.	FAX (205)731-1404
DO	CHARLOTTE	NC	28202-2137	200 N. COLLEGE ST. SUITE A2015	(704)344-6563 FAX (704)344-6769
DO	COLUMBIA	SC	29201	1835 ASSEMBLY ST. ROOM 358	(803)765-5377 FAX (803)765-5962
DO	MIAMI	FL	33131	100 S. BISCAYNE BLVD. 7TH FLOOR	(305)536-5521 FAX (305)536-5058
BO	GULFPORT	MS	39501-1949	2909 13TH STREET SUITE 203	(228)863-4449 FAX (228)864-0179
DO	JACKSON	MS	39201	101 W. CAPITOL ST. SUITE 400	(601)965-4378 FAX (601)965-4294
DO	JACKSONVILLE	FL	32256-7504	7825 BAYMEADOWS WAY SUITE 100-B	(904)443-1900 FAX (904)443-1980
DO	LOUISVILLE	KY	40202	600 DR. M.L. KING JR PL ROOM 188	(502)582-5971 FAX (502)582-5009
DO	NASHVILLE	TN	37228-1500	50 VANTAGE WAY SUITE 201	(615)736-5881 FAX (615)736-7232
RO	CHICAGO	IL	60661-2511	500 W. MADISON ST.	(312)353-5000 FAX (312)353-3426
DO	CHICAGO	IL	60661-2511	500 W. MADISON ST.	(312)353-4528 FAX (312)886-5688
BO	CINCINNATI	OH	45202	525 VINE ST.	(513)684-2814 FAX (513)684-3251
DO	CLEVELAND	OH	44144-2507	1111 SUPERIOR AVE.	(216)522-4180 FAX (216)522-2038
DO	COLUMBUS	OH	43215-2592	2 NATIONWIDE PLAZA	(614)469-6860 FAX (614)469-2391

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TYPE	CITY	STATE	ZIP CODE	ADDRESS	PHONE NUMBER
DO	DETROIT	MI	48226	477 MICHIGAN AVE.	(313)226-6075 FAX (313)226-4769
DO	INDIANAPOLIS	IN	46204-1873	429 N. PENNSYLVANIA	(317)226-7272 FAX (317)226-7259
DO	MADISON	WI	53703	212 E. WASHINGTON AVE.	(608)264-5261 FAX (608)264-5541
BO	MARQUETTE	MI	49855	501 SOUTH FRONT STREET	(906)225-1108 FAX (906)225-1109
BO	MILWAUKEE	WI	53203	310 W. WISCONSIN AVE.	(414)297-3941 FAX (414)297-1377
DO	MINNEAPOLIS	MN	55403-1563	100 N. 6TH ST.	(612)370-2324 FAX (612)370-2303
BO	SPRINGFIELD	IL	62704	511 W. CAPITOL AVE.	(217)492-4416 FAX (217)492-4867
DO	ALBUQUERQUE	NM	87102	625 SILVER AVENUE, SW	(505)346-7909 FAX (505)346-6711
BO	CORPUS CHRISTI	TX	78476	606 NORTH CARANCAHUA	(512)888-3331 FAX (512)888-3418
RO	DALLAS/FT.WORTH	TX	76155	4300 AMON CARTER BLVD	(817)885-6581 FAX (817)885-6588
DO	EL PASO	TX	79935	10737 GATEWAY WEST	(915)540-5676 FAX (915)540-5636
DO	DALLAS/FT.WORTH	TX	76155	4300 AMON CARTER BLVD	(817)885-6500 FAX (817)885-6516
DO	HARLINGEN	TX	78550	222 EAST VAN BUREN ST	(956)427-8625 FAX (956)427-8537
DO	HOUSTON	TX	77074-1591	9301 SOUTHWESTFREEWAY	(713)773-6500 FAX (713)773-6550
DO	LITTLE ROCK	AR	72202	2120 RIVERFRONT DRIVE	(501)324-5278 FAX (501)324-5199
DO	LUBBOCK	TX	79401-2693	1205 TEXAS AVENUE SUITE 408	(806)472-7462 FAX (806)472-7487
DO	NEW ORLEANS	LA	70130	365 CANAL STREET	(504)589-6685 FAX (504)589-2339
DO	OKLAHOMA CITY	OK	73102	210 PARK AVE. STE 1300	(405)231-5521 FAX (405)231-4876
DO	SAN ANTONIO	TX	78206	727 E. DURANGO	(210)472-5900 FAX (210)472-5935
DO	CEDAR RAPIDS	IA	52401-1806	215 4TH AVENUE SE	(319)362-6405 FAX (319)362-7861
DO	DES MOINES	IA	50309	210 WALNUT STREET	(515)284-4422 FAX (515)284-4572
RO	KANSAS CITY	MO	64105-1500	323 W 8TH ST STE 307	(816)374-6380 FAX (816)374-6339
DO	KANSAS CITY	MO	64105-1500	323 W 8TH ST STE 501	(816)374-6708 FAX (816)374-6759
DO	OMAHA	NE	68154	11145 MILL VALLEY RD	(402)221-4691 FAX (402)221-3680
BO	SPRINGFIELD	MO	65802-3200	620 S. GLENSTONE ST	(417)864-7670 FAX (417)864-4108

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TYPE	CITY	STATE	ZIP CODE	ADDRESS	PHONE NUMBER
DO	ST. LOUIS	MO	63101	815 OLIVE STREET	(314)539-6600 FAX (314)539-3785
DO	WICHITA	KS	67202	100 EAST ENGLISH ST	(316)269-6616 FAX (316)269-6499
DO	CASPER	WY	82602	100 EAST B STREET	(307)261-6500 RM 4001, BOX 2839 FAX (307)261-6535
RO	DENVER	CO	80202	721 19TH STREET	(303)844-0500 SUITE 500 FAX (303)844-0506
DO	DENVER	CO	80201	721 19TH STREET	(303)844-3984 SUITE 400 FAX (303)844-6468
DO	FARGO	ND	58108	657 2ND AVE NORTH	(701)239-5131 FAX (701)239-5645
DO	HELENA	MT	59626	301 SOUTH PARK	(406)441-1081 FAX (406)441-1090
DO	SALT LAKE CTY	UT	84138	125 SOUTH STATE ST.	(801)524-5800 FAX (801)524-4160
DO	SIOUX FALLS	SD	57102	110 SOUTH PHILLIPS AVENUE	(605)330-4231 FAX (605)330-4215
BO	MONGMONG	GU	96927	400 ROUTE 8, SUITE 302	(671)472-7277 FAX (671)472-7365
DO	FRESNO	CA	93727-1547	2719 N. AIR FRESNO DR	(209)487-5791 SUITE 200 FAX (209)487-5292
DO	GLENDALE	CA	91203-2304	330 N. BRAND BLVD	(818)552-3210 FAX (818)552-3260
DO	HONOLULU	HI	96850-4981	300 ALA MOANA BLVD	(808)541-2990 FAX (808)541-2976
DO	LAS VEGAS	NV	89125-2527	301 EAST STEWART ST	(702)388-6611 FAX (702)388-6469
DO	PHOENIX	AZ	85004-1025	2828 N. CENTRAL AVE	(602)640-2316 FAX (602)640-2360
DO	SACRAMENTO	CA	95814-2413	660 J STREET, STE 215	(916)498-6410 FAX (916)498-6422
DO	SAN DIEGO	CA	92101-3500	550 WEST "C" STREET	(619)557-7250 SUITE 550 FAX (619)557-5894
DO	SANTA ANA	CA	92701	200 W. SANTA ANA BLVD#700	(714)550-7420 FAX (714)550-0191
RO	SAN FRANCISCO	CA	94105	455 MARKET ST., STE 2200	(415)744-2118 FAX (415)744-2119
DO	SAN FRANCISCO	CA	94105-2445	455 MARKET ST, 6TH FL	(415)744-6820 FAX (415)744-6812
DO	ANCHORAGE	AK	99513-7559	222 WEST 8TH AVENUE	(907)271-4022 FAX (907)271-4545
DO	BOISE	ID	83702	1020 MAIN STREET	(208)334-1696 FAX (208)334-1696
DO	PORTLAND	OR	97201-5494	1515 SW FIFTH AVENUE	(503)326-2682 FAX (503)326-2808
RO	SEATTLE	WA	98101-1128	1200 6TH AVE. STE1805	(206)553-5676 FAX (206)553-2872
DO	SEATTLE	WA	98101-1128	1200 6TH AVE. STE1700	(206)553-7310 FAX (206)553-7099
DO	SPOKANE	WA	99204-0317	WEST 601 FIRST AVE	(509)353-2800 FAX (509)353-2829

**Chapter 23 – SBA Forms**

**List of Forms Sorted by Number**

<b>Form Number</b>	<b>Title (actual form title)</b>
4	Application
4a	Schedule of Collateral
4i	Lender's Application for Guaranty or Participation
4l	<i>LowDoc</i> Application
147	Note for 7(a) Business Loans (with instructions)
148	Unconditional Guaranty
327	Modification or Administrative Action ▪ <i>Used for any modifications to loan terms.</i>
403	Disaster Loans
415a	Statement of Personal History and Qualification of Management
750	Loan Guaranty Agreement (Deferred Participation) ▪ <i>The guaranty agreement between the SBA and the lender.</i>
912	Statement of Personal History
1149	Lender's Transcript of Account
1183	Lender Field Visit Report
1505	Note for CDC/504 Program Loans (with instructions)
MPQ-APPL	Prequalification Loan Application: Minority-Owned Business
WPQAPPL1	Prequalification Loan Application: Women-Owned Business