



Cedar Rapids Branch of the SBA Des Moines District

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EASTERN IOWA LENDER NEWS

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NEWS for Eastern Iowa Lenders

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Disclosure With The Application Avoids Problems At Purchase

SBA regulations outline the ethical restrictions applicable to all Lenders and their Associates defined by SBA as an officer, director, key employee, or holder of 20% or more of the value of the Lender's or debt instruments or an agent involved in the loan process and any entity in which any of the foregoing or a close relative of the foregoing owns or controls at least 20%.

These restrictions may be broken into two categories: absolutes, and issues requiring prior disclosure and discretion. The absolutes such as the SBA's prohibition against the Lender or any of its Associates owning an equity interest in the small business concern may not be waived. However, the issues allowing for discretion may be approved in some instances if disclosed and properly structured from the beginning. Failure to disclose these issues to the SBA at the time of the application jeopardizes the individual loan guaranty and also the bank's reputation and ability to do business with the SBA in the future.

Issues requiring prior disclosure and discretion: The following issues need to be disclosed to the SBA at the earliest of their occurrence or with a loan application so that the SBA can take these factors into account when authorizing the loan or any subsequent decisions. The Lender must disclose:

- All relationships between the business and its Associates and Whether the loan will
- Reduce the exposure of a Participant or an Associate of a Participant in a position to sustain a loss;
- Directly or indirectly finance the purchase of real estate, personal property or services (including insurance) from the Participant or an Associate of the Participant;
- Repay or refinance a debt due a Participant or an Associate of a Participant; or
- Require the small business, or an Associate (including Close Relatives of Associates), to invest in the Participant (except for institutions which require an investment from all members as a condition of membership, such as a Production Credit Association)

Example. Our applicant will buy real estate with our loan funds. The participant lender presently finances the seller without an SBA guaranty. The SBA financing will reduce the bank's exposure by the amount of the guaranty. In this instance the Lender has an obligation to notify the SBA that the SBA loan will reduce its exposure. The SBA then can take this into account when approving the loan.

SBA Champions in Your Community

There are SBA Champions in your community. We use the plural because there is not just one, but many in every community. An SBA Champion is not just a small business person that has done well in business. An SBA Champion is also any lender, economic developer, public official or private citizen that promotes the interests of small businesses and improves the economic climate in their community. In recognition of these business leaders, we are renaming our small business awards program the SBA Champion Awards. We are looking for several champions, so we encourage you to nominate more than one. Please review the following page for the nomination criteria and nomination suggestion form. Fax your nominations or ideas to us at (319) 362-7861. We will follow up with you for the specifics of the nomination.

(more)

SBA Champion Award

The 2004 SBA Champion Award Defined:

SBA Champions have excelled in small business or supported the cause of small business and economic development. SBA Champions can be small business owners, advocates, women, minorities, families, veterans, or young entrepreneurs. For small businesses nominated, the nominee must serve as a majority owner and operate or bear principal responsibility for operating a small business with a three-year track record. The U.S. Small Business Administration's size standards criteria will apply in determining a business as small.

To be eligible nominees must meet one or more of the following criteria:

- Demonstrated entrepreneurial potential necessary for long-term business success and economic growth.
- If a small business, evidence of success as measured by sales and profits. (The nomination package must include profit-and-loss statements and balance sheets for the past three years.)
- Voluntary efforts beyond business/professional responsibilities to advance small business interests within the community, state and/or nation.
- Advocacy of the small business community as a whole, not solely for individual personal advancement.
- Other accomplishments demonstrating the nominee's effective advocacy of small business.
- For eligibility clearance purposes, all nominees will be required to furnish their social security numbers. This information will be provided only to the Office of the Inspector General. All existing businesses employing 15 or more will also be cleared for equal opportunity and civil rights compliance.

Nomination Suggestion Form

NOMINEE INFORMATION:

I Nominate * _____
Title _____ for _____ Champion.
Company/ Organization _____
Address _____
City _____ Zip _____ Phone _____ FAX _____
Nominees Qualifications for this Award -- short description : * You may nominate yourself.

NOMINATOR'S INFORMATION (Optional):

Nominator Name _____
Title _____
Organization _____
Address _____
City _____ Zip _____ Phone _____ FAX _____

Please note: For now, names, addresses, and phone numbers are sufficient. We will follow up for additional information, including photographs, biographies, and narratives describing qualifications. Thank you for supporting small business formation and development in eastern Iowa.

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