



U.S. Small Business
Administration



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504 Connect Call

September 18, 2018

SBA Office of Capital Access

504 Connect Call Presenters

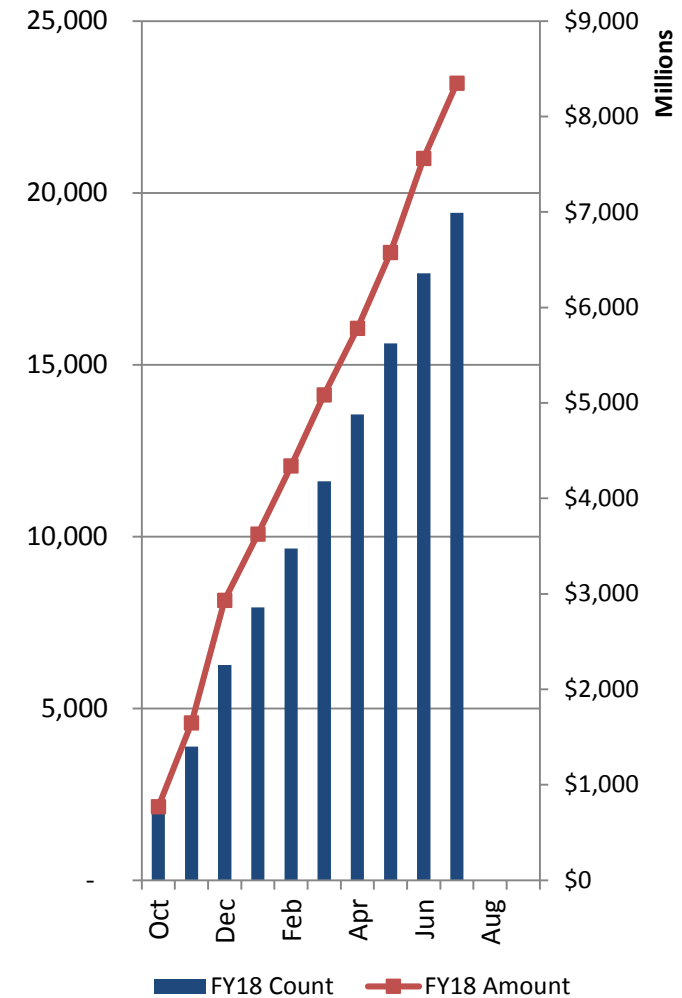
- **William Manger, OCA AA**
- **Steve Kucharski, OPSM Director**
- **Dianna Seaborn, OFA Director**
- **Ginger Allen, 504 Loan Program, Finance and Loan Specialist**
- **John Wade, Chief, Secondary Market**
- **Jihoon Kim, Acting OFPO Director**
- **Hien Nguyen, SLPC Director**
- **Susan Streich, OCRM Director**
- **Paul Kirwin, OCRM, 504 Team Lead**

Priority Goal: Increase the number of loans to small businesses in socially and economically disadvantaged urban communities and rural areas

	Rural Approval Count	Rural Approval Amount	Urban Hubzone Approval Count	Urban Hubzone Approval Amount	Total Approval Count	Total Approval Amount
I - New England	878	\$164M	504	\$101M	1,382	\$265M
II - Atlantic	915	\$205M	1,119	\$255M	2,034	\$460M
III - Mid-Atlantic	714	\$248M	623	\$192M	1,337	\$440M
IV - Southeast	1,729	\$977M	1,310	\$797M	3,039	\$1,774M
V - Great Lakes	2,882	\$942M	1,426	\$471M	4,308	\$1,413M
VI - South Central	945	\$609M	1,011	\$582M	1,956	\$1,192M
VII - Great Plains	620	\$220M	230	\$85M	850	\$305M
VIII - Rocky Mountains	513	\$191M	573	\$289M	1,086	\$480M
IX - Pacific	301	\$178M	2,181	\$1,402M	2,482	\$1,580M
X - Pacific Northwest	436	\$193M	506	\$248M	942	\$441M
Unknown	1	\$00M	5	\$00M	6	\$00M
Total Lenders	9,934	\$3,927M	9,488	\$4,423M	19,422	\$8,350M

- All approvals numbers include 7(a), 504, and Microloan approvals.

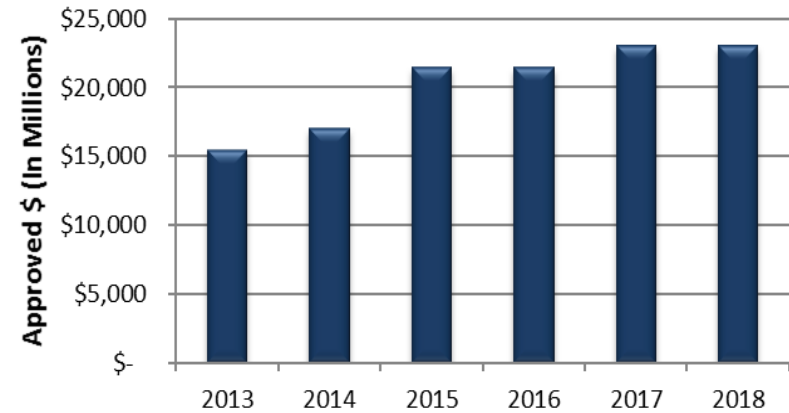
Total Rural and Urban Hubzone Cumulative Approvals



YTD Activity – Total 7(a) and 504

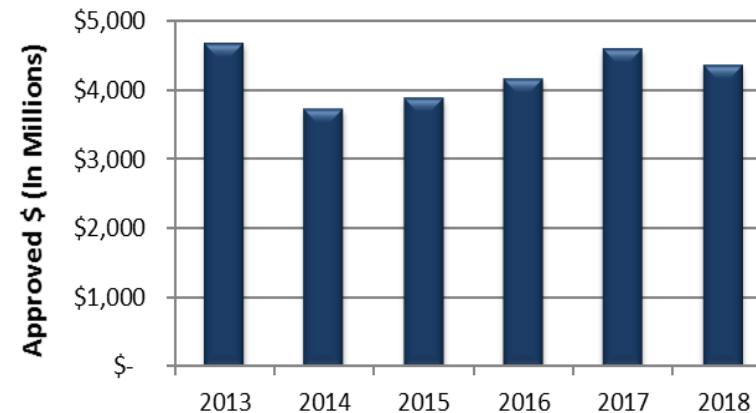
7(a) Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2018	54,304	\$ 22,963,147,800
2017	56,475	\$ 22,950,581,100
2016	57,904	\$ 21,443,040,343
2015	57,637	\$ 21,422,242,500
2014	46,620	\$ 16,984,332,800
2013	41,265	\$ 15,445,881,900



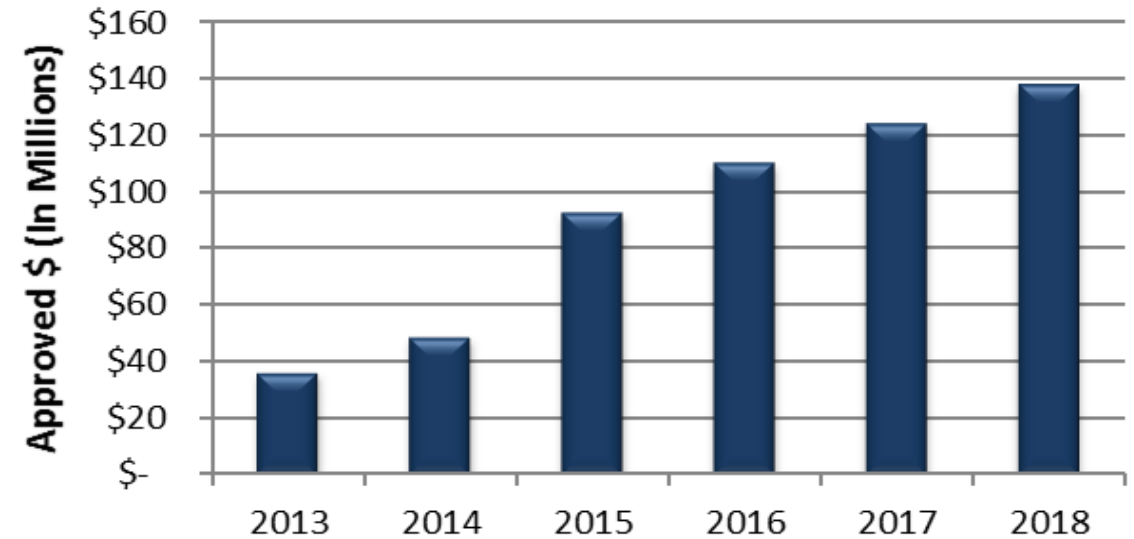
504 Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2018	5,416	\$ 4,376,451,000
2017	5,719	\$ 4,608,408,000
2016	5,258	\$ 4,181,203,000
2015	5,269	\$ 3,894,272,000
2014	5,333	\$ 3,746,373,000
2013	6,981	\$ 4,697,130,000



YTD Activity – Community Advantage

Fiscal Year	Approved Loans	Approved Dollars
2018	987	\$ 138,161,500
2017	940	\$ 124,551,000
2016	887	\$ 110,484,200
2015	737	\$ 92,766,500
2014	396	\$ 48,506,200
2013	254	\$ 35,838,800



OPSM Update

Steve Kucharski, OPSM Director

OFA Update

Dianna Seaborn, OFA Director

OFA 504 Hot Topics Update

- Fees
- Community Advantage Pilot
- 912/1081 – new channeler as of October 1, 2018
- 504 Refi will be available FY 19/zero subsidy
- LRS Training
- SOP 50 10 5 (K)
- 504 Corporate Governance Regulation

504 Fees for FY 19 – SBA Info Notice 5000-180011

For 504 loans (other than 504 Debt Refinance) approved in FY 19:

- Upfront Guaranty Fee = 0.50% (50 basis points)
- Annual Service Fee = 0.368% (36.8 basis points) of outstanding loan balance

For 504 Debt Refinance loans approved in FY 19:

- Upfront Guaranty Fee = 0.50% (50 basis points)
- Annual Service Fee = 0.395% (39.5 basis points) of outstanding loan balance

Policy Notice 5000-17057

Changes affecting both 7(a) and 504 Loan Programs:

- Credit Elsewhere
 - Increased minimum ownership percentage requiring a review from 10% to 20%;
- Additional guidance for businesses engaged in any illegal activity;
 - “Direct Marijuana Business”
 - “Indirect Marijuana Business”
 - “Hemp Related Business”
- Leasing Part of a Building Acquired with Loan Proceeds;
 - Borrower may not lease space to a business that is engaged in any activity that is illegal under federal, state or local law.

504 Update

John Wade, Chief of Secondary Market
Ginger Allen, Financial and Loan Specialist

504 Hot Topics (continued)

- Debenture Funding FY18
- Modification to 25 Year Debenture
- Rural Pilot
- Forms Updates
- Other Hot Topics

Debenture Funding FY18

	10-Year	20-Year	25-Year	Totals
Units	159	4,697	124	4,980
\$	97,157,000	3,660,030,000	115,047,000	3,872,234
Median %	3.07%	3.27%	3.68%	

Modification of 20 year to 25 year Prior to Closing

CDCs will be permitted to request term modification after SLPC loan approval if loan application was approved on or after April 2, 2018.

- CDC must submit 327 request with justification for the extended maturity in E-Tran.
- CDC must secure from the Applicant written request/consent to the modification and retain in file.
- No changes may occur after the debenture closing request is submitted to SBA.

504 Rural Initiative Pilot Program

504 Rural Pilot

July 19, 2018 – July 20, 2020

- Allows CDCs to make loans for 504 Projects to rural small businesses anywhere in the CDC's SBA region
- 504 Project address must be located in a rural county
- Goal - Increase access to capital for **rural small businesses**

504 Loan Program Rural Initiative Pilot

- Rural Pilot Guide is available online
<https://www.sba.gov/document/support--rural-initiative-pilot-program-guide>
- CDC's credit memo must document 504 Rural Pilot loan

Forms

SBA Form 159, “Fee Disclosure and Compensation Agreement”

- SBA Information Notice 5000-18012 effective 9/14/18, version 04-18
- One form for both 7(a) and 504
- Required immediately
- Grace period – prior version of form accepted through October.
As of Nov. 1 – no prior versions accepted

Forms

SBA Form 1244, “Application for Section 504 Loan”

- Updated to reflect 25-year debenture and 504 Debt Refinancing
- New version dated 04/18
- Effective 9/1/18
- New version must be used, and all pages of the form must be from the new version

Forms

SBA Form 1505, “Note (CDC/504 Loans)”

Updated to reflect 25-year debenture

- 25-Year Debentures:
 - Version dated 04/18 required for all loans submitted for funding as of 9/1
- 10 and 20-Year Debentures
 - Either version acceptable if executed on or before 8/31
 - All 10 and 20-year debentures executed after 8/31 must be on 04/18 version

Hot Topics

- Loan Authorization - Recently updated
- No Adverse Change requests
 - Updated financial statements must be signed by the borrower:
 - Tax returns
 - Interim financial statements
- Historic Properties
 - If a review is required, must go through the State Historic Preservation Officer (SHPO)
 - If SBA finds no adverse effect and the SHPO agrees or does not object within 30 days, the Agency can proceed with the approval of the loan

OFPO Update

Jihoon Kim, Acting OFPO Director

SLPC Update

Hien Nguyen, SLPC Director

OCRM Update

Susan Streich, OCRM Director
Paul Kirwin, 504 Team Lead, OCRM

CDC Annual Reports

- Due within 180 days of the CDC's fiscal year end and should be sent to District Offices and OCRM concurrently.
- Include a complete copy of CDCs Executive Compensation Policy and the CDC's Independent Loan Review Report.
- SBA's definition of the term Affiliation.
- Detailed breakdown of 504-Related Income/Expenses as outlined in CDC Annual Report Guide (SBA Form 1253).
- D&O and E&O insurance coverages is based on a CDC's total revenue (SBA Information Notice 5000-1341).

ALP Renewals

- Internal Control policies in compliance with SBA regulations.
- Board and Loan Committee members must live or work in the area that is served by the CDC.
- Auditor engagement letter for the audited financial statements.

Updated Lender Portal

3rd Quarter FY 2018 – update includes:

- SMART metrics for past 2 years
- Concentration tables for industry segments, franchises, and geographic lending area;
- Number of loans and/or dollars associated with performance measures;
- Vintage year analysis of loan disbursements;
- Loan status by delivery method.

Updated Lender Portal

Training on the site is being offered through October 5th.

Mondays at 4 pm EST & Fridays at 3 pm EST

To participate in the Monday trainings please use the below information:

- Join from PC, Mac, Linux, iOS or Android: <https://dnb.zoom.us/j/873561902>
- Or iPhone one-tap :
US: +16468769923,,873561902# or +16699006833,,873561902#
Or Telephone:
Dial(for higher quality, dial a number based on your current location):
US: +1 646 876 9923 or +1 669 900 6833
Meeting ID: 873 561 902
International numbers available: <https://zoom.us/j/873561902>

To Participate in the Friday trainings please use the below information:

- Join from PC, Mac, Linux, iOS or Android: <https://dnb.zoom.us/j/296204249>
- Or iPhone one-tap :
US: +16699006833,,296204249# or +16468769923,,296204249#
Or Telephone:
Dial(for higher quality, dial a number based on your current location):
US: +1 669 900 6833 or +1 646 876 9923
Meeting ID: 296 204 249
International numbers available: <https://zoom.us/j/296204249>

Who has the first question????



Save the Dates...

Upcoming 504 Connect Calls:

All calls start at 3:00 Eastern

December 4, 2018

March 5, 2019

June 4, 2019

September 10, 2019

December 10, 2019