



U.S. Small Business Administration

Office of Capital Access

7(a) Connect Quarterly Update
October 11, 2022



Office of Financial Assistance

Dianna L. Seaborn
Director



U.S. Small Business
Administration

Office of Capital Access

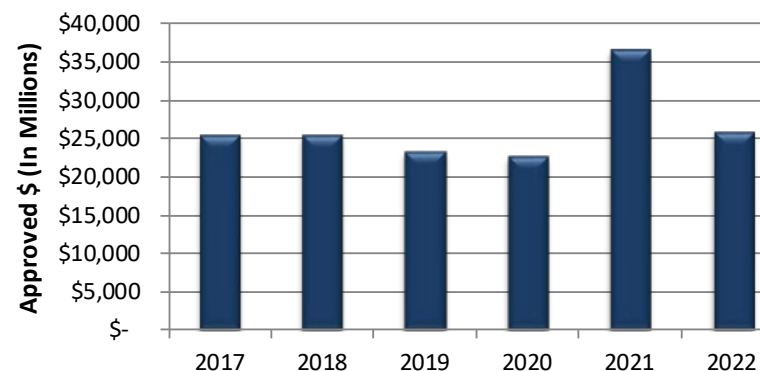
Monthly Performance Dashboard

Data as of 09/30/2022

YTD Activity – Total 7(a) and 504

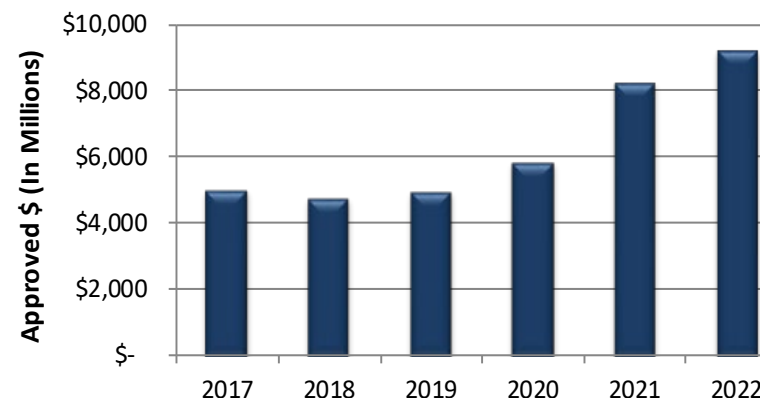
7(a) Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2022	47,678	\$ 25,693,805,700
2021	51,856	\$ 36,536,756,800
2020	42,302	\$ 22,550,171,700
2021	51,907	\$ 23,175,811,000
2018	60,354	\$ 25,372,539,100
2017	62,430	\$ 25,447,458,500



504 Lending Activity

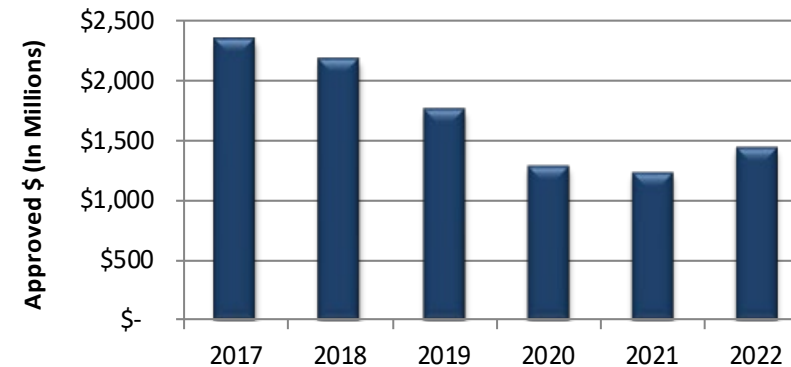
Fiscal Year	Approved Loans	Approved Dollars
2022	9,254	\$ 9,207,996,290
2021	9,676	\$ 8,218,105,540
2020	7,119	\$ 5,826,885,000
2019	6,099	\$ 4,958,552,000
2018	5,874	\$ 4,753,644,000
2017	6,218	\$ 5,013,723,000



YTD Activity – 7(a) Small Dollar Loans

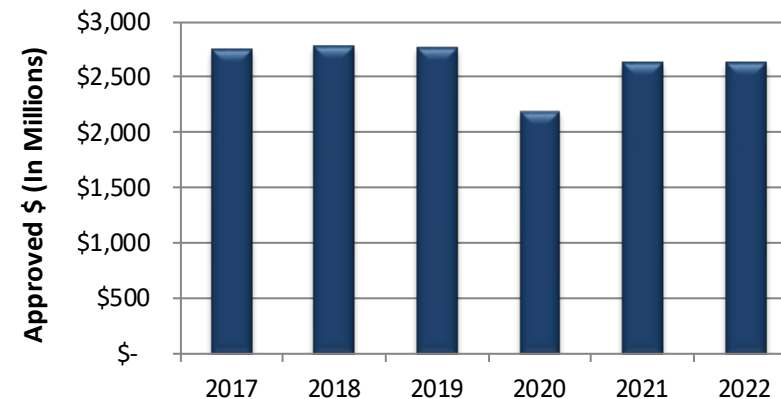
Up to \$150k Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2022	22,245	\$ 1,435,891,900
2021	18,293	\$ 1,229,794,200
2020	19,775	\$ 1,282,418,400
2019	26,945	\$ 1,759,136,000
2018	33,972	\$ 2,179,298,400
2017	35,805	\$ 2,334,775,000



\$150k to \$350k Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2022	9,907	\$ 2,637,226,800
2021	9,999	\$ 2,631,664,900
2020	8,302	\$ 2,193,329,400
2019	10,533	\$ 2,769,512,100
2018	10,591	\$ 2,780,619,600
2017	10,385	\$ 2,746,424,100

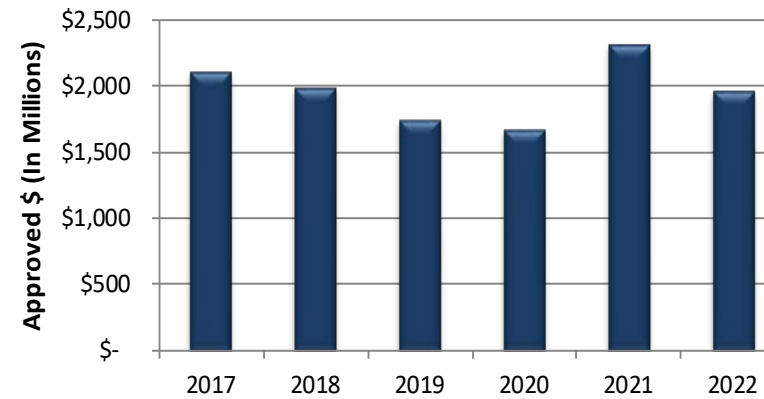


Time Period Comparison (activity through 09/30 of each FY)

YTD Activity – SBA Express

SBA Express

Fiscal Year	Approved Loans	Approved Dollars
2022	20,218	\$ 1,962,850,100
2021	18,076	\$ 2,306,749,800
2020	18,100	\$ 1,669,679,400
2019	22,775	\$ 1,736,669,000
2018	27,811	\$ 1,980,087,700
2017	29,468	\$ 2,108,930,100

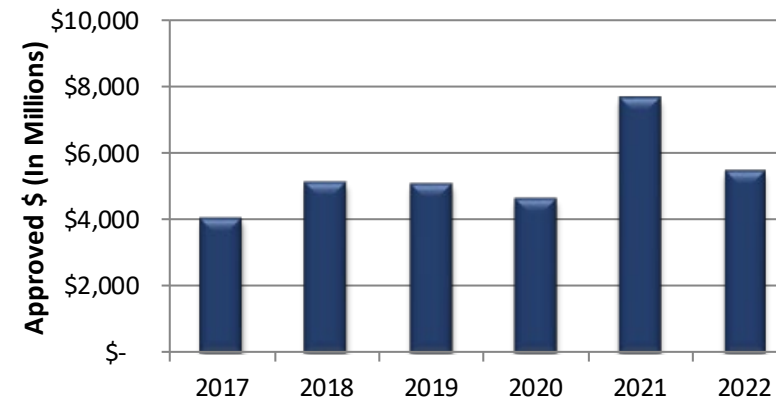


Time Period Comparison (activity through 09/30 of each FY)

YTD Activity – Franchise

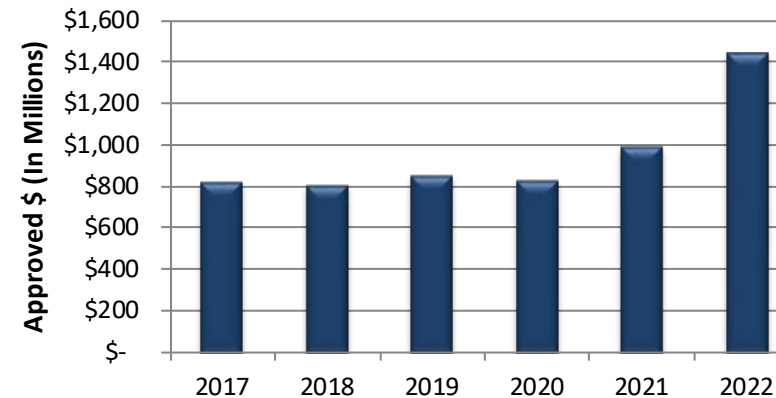
7(a) Franchise Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2022	6,582	\$ 5,468,037,900
2021	8,118	\$ 7,653,917,500
2020	5,781	\$ 4,655,199,800
2019	6,882	\$ 5,048,791,400
2018	7,075	\$ 5,126,725,500
2017	5,987	\$ 4,057,701,400



504 Franchise Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2022	999	\$ 1,447,087,290
2021	887	\$ 993,073,000
2020	645	\$ 834,343,000
2019	623	\$ 854,529,000
2018	568	\$ 806,184,000
2017	585	\$ 826,912,000

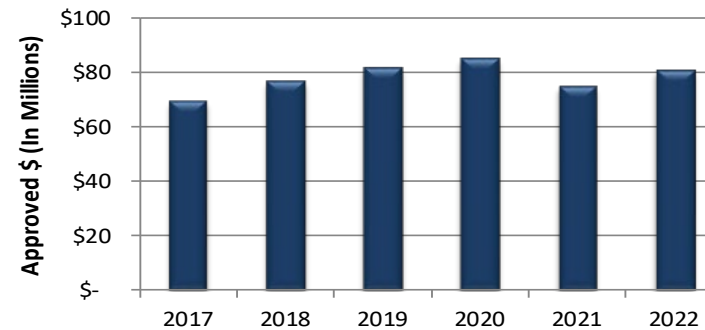


Time Period Comparison (activity through 09/30 of each FY)

YTD Activity – Mission Programs

Microloans

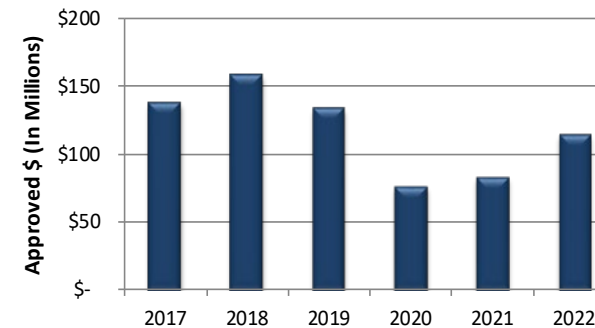
Fiscal Year	Approved Loans	Approved Dollars
2022	4,884	\$ 80,549,392
2021	4,508	\$ 74,694,034
2020	5,886	\$ 85,027,591
2019	5,527	\$ 81,399,299
2018	5,445	\$ 76,346,409
2017	4,982	\$ 69,097,862



- Current FY Microloan approvals underreported due to lag in micro lender reporting.

Community Advantage

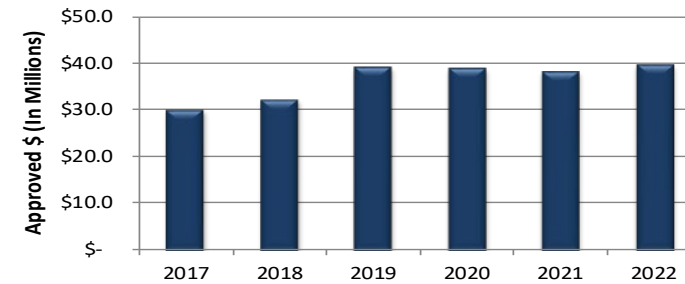
Fiscal Year	Approved Loans	Approved Dollars
2022	717	\$ 113,999,400
2021	565	\$ 82,834,100
2020	538	\$ 76,214,700
2019	947	\$ 133,813,400
2018	1,118	\$ 157,529,200
2017	1,043	\$ 137,595,500



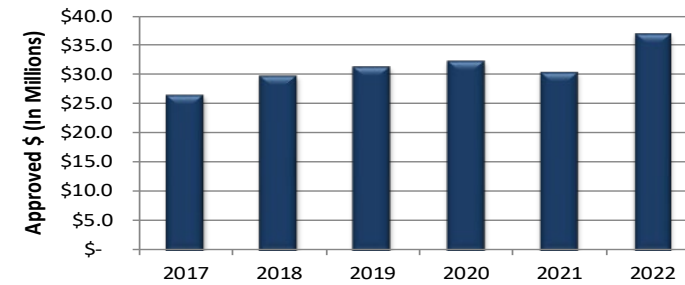
Time Period Comparison (activity through 09/30 of each FY)

YTD Activity – Microloans – Underserved Markets

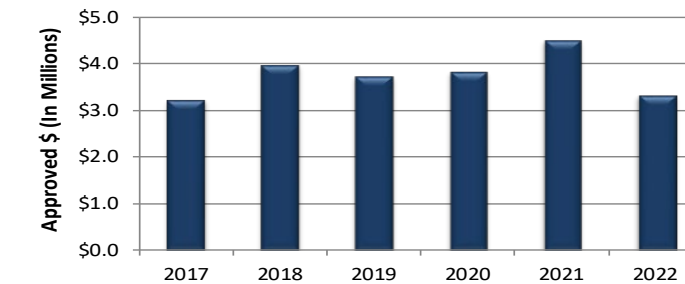
Minority	Fiscal Year	Approved Loans	% of #	Approved Dollars	% of \$
	2022	2,684	55.0%	\$ 39,590,379	49.2%
	2021	2,806	62.2%	\$ 38,290,175	51.3%
	2020	3,399	57.7%	\$ 38,907,805	45.8%
	2019	3,387	61.3%	\$ 39,212,268	48.2%
	2018	3,011	55.3%	\$ 32,220,005	42.2%
	2017	2,744	55.1%	\$ 30,065,572	43.5%



Women	Fiscal Year	Approved Loans	% of #	Approved Dollars	% of \$
	2022	2,460	50.4%	\$ 36,961,309	45.9%
	2021	2,164	48.0%	\$ 30,433,863	40.7%
	2020	2,745	46.6%	\$ 32,263,013	37.9%
	2019	2,641	47.8%	\$ 31,366,706	38.5%
	2018	2,653	48.7%	\$ 29,694,776	38.9%
	2017	2,323	46.6%	\$ 26,509,368	38.4%



Veteran	Fiscal Year	Approved Loans	% of #	Approved Dollars	% of \$
	2022	166	3.4%	\$ 3,321,720	4.1%
	2021	179	4.0%	\$ 4,497,176	6.0%
	2020	217	3.7%	\$ 3,827,202	4.5%
	2019	181	3.3%	\$ 3,733,935	4.6%
	2018	215	3.9%	\$ 3,978,646	5.2%
	2017	199	4.0%	\$ 3,232,959	4.7%



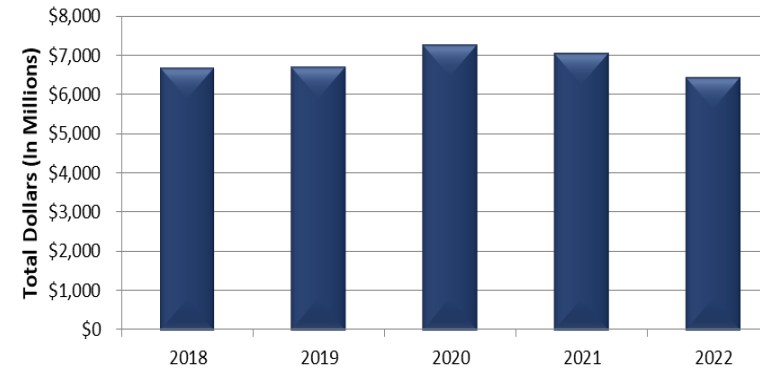
Time Period Comparison (activity through 09/30 of each FY)

DISCLAIMER: The information being provided above is derived solely from Agency records that are submitted by the Agency's participant lenders engaged in making SBA loans. This information is collected by the lenders from SBA loan applicants who provide it on a voluntary basis. It is then forwarded by the lenders to SBA. Since the information is provided by the loan applicants on a voluntary basis, it is not necessarily inclusive of all SBA borrowers, nor can its accuracy be verified by the Agency. Accordingly, SBA cannot make any representation as to the completeness or accuracy of the information provided.

YTD Activity - Surety Bond Guarantee Program

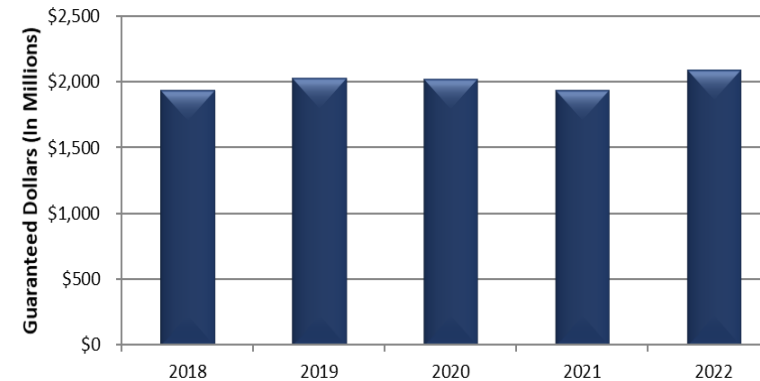
Bid, Payment/Performance Activity

Fiscal Year	Total Bonds	Total Dollars
2022	8,333	\$6,381,879,466
2021	9,633	\$6,999,999,033
2020	10,577	\$7,233,224,722
2019	9,968	\$6,658,701,535
2018	10,866	\$6,632,378,816



Payment/Performance Activity

Fiscal Year	Guaranteed Bonds	Guaranteed Dollars
2022	2,900	\$2,077,694,820
2021	2,925	\$1,924,905,240
2020	3,110	\$2,005,738,071
2019	3,382	\$2,020,439,276
2018	3,512	\$1,925,298,635



FY22 Highlights - 1,666 Small Businesses Assisted; 32 Active Surety Companies; 47.4% of Prior Approval Portfolio from QuickApps (≤ \$400K); 0.69% Loss Rate; \$2,433,025 Recovered; \$698,886 Average Contract Size.



Office of Financial Assistance

Ginger Allen
Chief, 7(a) Loan Policy Division

Hot Topics

- **SOP 50 10 6.1** in internal SBA clearance
 - Retiring “The Wizard”
 - Procedural streamlining; Reduction of documentation requirements
 - Make sure your team is signed up for [7\(a\) OFA Updates](#) for upcoming training on SOP and regulatory changes
- **Notice of Proposed Rulemaking:** White House issued a [Press Release](#) on Oct 4 on the upcoming proposed rule lifting moratorium on SBLCs
- **SBA Procedural Notice 5000-835955**, PPP servicing and guaranty purchases
- **SBA Information Notice [5000-836123](#)**, FY 2023 7(a) Fees
- **EPC/OC** eligibility discussion
- **Reminder for Lenders with delegated authority:**
 - Different types of delegated authority:
 - **PLP** (Standard 7(a); 7(a) Small, CAPLines, EWCP, International Trade); **SBA Express**; **Export Express**
 - PLP Lenders may approve a Standard 7(a) loan or 7(a) Small loan under delegated authority – OR - they may elect to submit a loan to LGPC for non-delegated processing (for example, when an applicant’s eligibility is in question or if the project is complex) (Note: This includes Community Advantage Lenders)
 - SBA Express loans are *always* processed under an SBA Express Lender’s delegated authority and cannot be submitted to LGPC for processing via non-delegated authority. If the Lender wants SBA to make the eligibility determination, Lender should submit the loan as a Standard 7(a) loan or 7(a) Small loan (not as SBA Express)

Hot Topics

Now hiring!

OFA is looking for a GS-14 Financial & Loan Specialist to join the 7(a) team

- Do you enjoy thinking about, writing, and teaching 7(a) loan policy?
- Duty station is flexible:
Washington, DC; Fresno/Citrus Heights/Sacramento, CA; El Paso, TX; Herndon, VA; Little Rock, AR
- Eligible for telework
- Great benefits
- Flexible hours
- Apply today! Deadline for applications is **Thurs. Oct. 13** at 11:59 pm Eastern

[USAJOBS - Job Announcement](#) Open to current Federal employees, veterans, Peace Corps, individuals with disabilities, etc.)

[USAJOBS - Job Announcement](#) Open to the public

SBA Procedural Notice 5000-835955

PPP Servicing & Guaranty Purchases

Not yet on SBA's website. SBA will email a copy to everyone subscribed to the [7\(a\) OFA Updates](#) list

SBA Procedural Notice 5000-835955 - PPP Servicing & Guaranty Purchases

- Extension and revision of SBA Procedural Notice [5000-812316](#), July 15, 2021
- Lender's Servicing Responsibilities for PPP loans
 - Lenders must work with borrowers that do not receive full forgiveness to allow for the repayment of the remaining balance of the loan, even if SBA has purchased it
- Lenders may extend PPP Loan maturity beyond 5 years
 - Subject to mutual agreement by the Lender and borrower; and
 - If the extension will aid in the orderly repayment of the loan; and
 - If the extension is granted before the SBA loan guaranty expires
- Lenders must request SBA purchase of guaranty within 180 days after maturity unless the Lender is conducting liquidation
 - If Lender is conducting liquidation on a loan that has matured, Lender must request guaranty purchase within 180 days after completion of liquidation
 - SBA considers a pending Lender request to SBA for a forgiveness payment or a pending SBA loan review decision (including borrower appeal to OHA) as "conducting liquidation"

SBA Procedural Notice 5000-835955 - PPP Servicing & Guaranty Purchases

- Lenders may not take collateral or require personal guaranties when extending the maturity (Section 7(a)(36)(J) Small Business Act)
- Lenders may not charge an interest rate higher than 1.0% on a PPP loan (85 FR 20811)
- Loan Monitoring requirements for PPP Loans
 - Lenders should monitor Borrowers that remain in repayment status;
 - Lenders are not required to obtain updated financials information;
 - Lenders are encouraged to work with PPP Borrowers to process forgiveness applications before requesting a guaranty purchase
- Borrowers may make payments after SBA has purchased the guaranty and charged off the loan
 - Lenders have unilateral authority to negotiate with borrowers to enter into a workout agreement, regardless of whether the guaranty has been purchased
 - All payments received must be sent to SBA via SBA through <https://www.pay.gov>, payment code 172
- **Questions:** PPP Platform inbox or help@ussbaforgiveness.com

SBA Information Notice [5000-836123](#)

FY 2023 7(a) Fees

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

This [Notice](#) announces the 7(a) Lender's Annual Service Fee and the SBA Guaranty Fee (Upfront Fee) for 7(a) loans for fiscal year 2023 and the exceptions to those fees authorized for FY 2023 for the 7(a) loan program

FY 23: No Upfront or Annual Service Fee for any 7(a) loans \$500,000 or less!

7(a) Lender's Annual Service Fee: The FY 2023 Lender's Annual Service Fee, based on *gross loan approval amount*, including SBA-guaranteed and unguaranteed portions, will be:

- For loans of \$500,000 and less: 0.00%
- For loans of \$500,001 to \$5,000,000: 0.55% of the guaranteed portion of the outstanding balance of the loan

Lenders must manually adjust this fee in the Authorization Wizard

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Upfront Fee:

Except for Export Working Capital Program (EWCP) loans and SBA Express loans made to veteran-owned businesses, the FY 2023 Upfront Fee, based on gross loan approval amount, including SBA-guaranteed and unguaranteed portions, will be:

a) For loans with a maturity that exceeds 12 months, the Upfront Fees are:

- i) For loans of \$500,000 or less: 0.00%
- ii) For loans of \$500,001 to \$700,000: 0.55% of the guaranteed portion
- iii) For loans of \$700,001 to \$1,000,000: 1.05% of the guaranteed portion
- iv) For loans \$1,000,001 to \$5,000,000: 3.5% of the guaranteed portion up to \$1,000,000, plus 3.75% of the guaranteed portion over \$1,000,000.

b) For loans with a maturity of 12 months or less, the Upfront Fees are:

- i) For loans of \$500,000 or less: 0.00%
- ii) For loans \$500,001 and greater: 0.25% of the guaranteed portion

SBA Information Notice 5000-836123 FY23 7(a) Fees

Years With No Fee Relief

7(a) Upfront Fee

Gross Loan Size	Fees
\$150,000 or less	2% of guaranteed portion
\$150,001 - \$700,000	3% of guaranteed portion
\$700,001 - \$5,000,000	3.5% of guaranteed portion up to \$1MM +3.75% of the guaranteed portion over \$1MM
All Short Term Loans	0.25% of the guaranteed portion

Lender's Annual Service Fee

0.55% of the outstanding balance of the guaranteed portion

Example: \$500,000 loan

FY	Upfront Fee	Annual Service Fee
No Fee Relief	\$11,250	0.55% of the guaranteed portion
2022	\$10,388	0.49% of the guaranteed portion
2023	\$0	0% of the guaranteed portion

FY 2022 7(a) Fees (Fee Relief)

7(a) Upfront Fee

Gross Loan Size	Fees
\$350,000 or less	0%
\$350,001 - \$700,000	2.77% of the guaranteed portion
\$700,001 - \$1,000,000	3.27% of the guaranteed portion
\$1,000,001 - \$5,000,000	3.5% of guaranteed portion up to \$1MM PLUS 3.75% of the guaranteed portion over \$1MM
Short Term Loans	\$350,000 or less: 0% Greater than \$350,000: 0.25% of the guaranteed portion

Lender's Annual Service Fee

\$350,000 or less	0%
\$350,001 - \$1,000,000	0.49% of the guaranteed portion of the outstanding balance
Greater than \$1,000,000	0.55% of the guaranteed portion of the outstanding balance

FY 2023 7(a) Fees (Fee Relief)

7(a) Upfront Fee

Gross Loan Size	Fees
\$500,000 or less	0%
\$500,001-\$700,000	0.55% of the guaranteed portion
\$700,001- \$1,000,000	1.05% of the guaranteed portion
\$1,000,001 - \$5,000,000	3.5% of guaranteed portion up to \$1MM PLUS 3.75% of the guaranteed portion over \$1MM
Short Term Loans	\$500,000 or less: 0% Greater than \$500,000: 0.25% of the guaranteed portion

Lender's Annual Service Fee

\$500,000 or less	0%
\$500,001 - \$5,000,000	0.55% of the guaranteed portion of the outstanding balance

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Multiple 7(a) loans made within 90 days of each other:

- **Percentage of Guaranty:** When two or more 7(a) loans (with maturities exceeding 12 months) made to an applicant (including its affiliates) are approved within 90 days of each other, the loans are considered as one loan for the purpose of determining the percentage of guaranty.
- **Upfront Fee:** The applicable fee for the subsequent loan(s) will equal the amount of the fee that would have been charged had the loans been combined, less the fee that was paid or is due to be paid on the first loan approved. The fee will never be a negative amount.
- **Lender's Annual Service Fee:** FY 2023 - The fee is set for each loan on a standalone basis without respect to any other loans made (i.e., the loans are not aggregated).

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Upfront Fee calculation when multiple 7(a) loans are made within 90 days of each other

- First loan: Fee is calculated based on the fee schedule in effect when the loan is approved
- Second loan:
 - Step 1: Aggregate the loans made within 90 days and calculate the fee based on the fee policy in effect when the **second loan** was approved and as if no fee had been paid on the first loan
 - Step 2: Subtract the fees paid (or due to be paid) from the first loan (If the result is a negative number due to different fiscal years, SBA will not refund fees paid or due to be paid on the first loan)
- This method applies even if the loans are approved in different fiscal years with different fee schedules

SBA Information Notice 5000-836123 FY23 7(a) Fees

Upfront Fee calculation when multiple 7(a) loans are made within 90 days of each other and when the first loan was approved in FY22 and the second loan was approved in FY23...

Example 1:

- On Sept. 1, 2022 (FY 2022), a loan was approved for \$400,000 and was subject to a 2.77% Upfront Fee per the fee schedule for FY 22. The Upfront Fee due was **\$8,310** ($\$400,000 \times 0.75 \times 0.0277$)
- On Oct. 3, 2022 (FY 2023), a second loan was approved for \$50,000 and was subject to a **0%** Upfront Fee per the fee schedule for FY 23.
- The Upfront Fee paid, or due to be paid, on the first loan (approved in FY22) remains at \$8,310. The Upfront Fee due on the second loan is \$0.

Why? If the borrower had been approved for both loans in FY 23, a loan amount of \$450,000 would have been subject to a 0% Upfront Fee per the FY23 fee schedule. However, SBA will not issue a refund in the above example because the first loan was approved in FY22 under a higher fee schedule.

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Upfront Fee calculation when multiple 7(a) loans are made within 90 days of each other and when both loans are approved in FY23

Example 2:

- On October 5, 2022 (FY 23), a loan was approved for **\$400,000** with **\$0** Upfront Fee due.
- On November 15, 2022 (FY 23), a second loan was approved for **\$150,000**, taking the total of the two loans made within 90 days to **\$550,000** and making them subject to the 90-day rule.
- An Upfront Fee of **\$2,269** (0.55% of the combined guaranty portions of the loans, or $\$550,000 \times 0.75 \times 0.0055$) will be due.

Note! If the second loan had been approved more than 90 days after the first loan was approved, no fee would be due.

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Upfront Fee for EWCP Loans of any Size (up to \$5 million maximum): For EWCP loans of \$500,000 or less, regardless of maturity, the Upfront Fee is 0.00%;

- For EWCP loans greater than \$500,000 with a maturity of 12 months or less, the Upfront Fee is 0.25% of the guaranteed portion;
- For EWCP loans greater than \$500,000 with a maturity of 13 up to 24 months, the Upfront Fee is 0.525% of the guaranteed portion;
- For EWCP loans greater than \$500,000 with a maturity of 25 up to 36 months, the Upfront Fee is 0.80% of the guaranteed portion.
- When an EWCP loan greater than \$500,000 with an original maturity of up to 24 months is extended beyond the original maturity date and up to the maximum EWCP maturity of 36 months, an additional Upfront Fee is due to SBA.
- *Example:* If an EWCP loan greater than \$500,000 is originally approved with a 24-month maturity and the maturity is extended to 36-months, the Upfront Fee due to SBA is then increased from 0.525% of the guaranteed portion to 0.80% (guaranty fee for EWCP loans with maturities of 25 months up to 36 months) of the guaranteed portion of the EWCP loan. Therefore, the Lender must remit to SBA the additional Upfront Fee of 0.275% of the guaranteed portion (the updated guaranty fee due of 0.80% minus the 0.525% guaranty fee already paid).

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Additional Upfront Fee for 7(a) Loan Increases

- When a 7(a) loan is increased, additional fees are based on the rules in effect at the time the loan was originally approved.
- The amount of the additional Upfront Fee due for an increase will equal what the fee would have been if the increase was part of the original loan amount, less the amount of the original fee (if already remitted).
- **Example 1: Loan made in FY 2022 and increased in FY 2023:**
 - A 7(a) loan was made in FY 2022 for \$350,000 with a 75% guaranty. When the loan was initially made in FY 2022, the Upfront Fee was \$0, per the FY 2022 fee schedule for loans of \$350,000 or less.
 - In FY 2023, the loan was increased from \$350,000 to \$400,000. Even though the loan is being increased in FY 2023, the loan remains subject to FY 2022 fees, which for loans \$350,001 to \$700,000, is 2.77%.
 - The amount of the Upfront Fee due to SBA is increased from \$0 to \$8,310 ($\$400,000 \times 0.75 \times 0.0277$).

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Additional Upfront Fee for 7(a) Loan Increases (continued)

- **Example2: Loan made in FY 2023 and subsequently increased in FY 2023:**

- A loan was made in FY 2023 for \$680,000 with a 75% guaranty. The Upfront Fee due is **\$2,805** ($\$680,000 \times 0.75 \times 0.0055$), per the FY 2023 fee schedule.
- Later in FY 2023, the loan is increased from \$680,000 to \$705,000. The FY 2023 fee schedule indicates the Upfront Fee for loans \$700,001 to \$1,000,000 is 1.05%. The guaranty percentage remains at 75%, but an additional Upfront Fee is now due.
- The *additional* Upfront Fee due when the loan is increased is **\$2,747** (Calculations – Step 1: $\$705,000 \times 0.75 \times .0105 = \$5,552$ (amount due if the entire loan was made at once). Step 2: $\$5,552 - \$2,805$ (the amount paid when the loan was first made) = \$2,747)

SBA Information Notice 5000-836123 FY23 7(a) Fees

Additional Annual Service Fee for 7(a) Loan Increases

The Lender's Annual Service Fee for a loan is calculated based on the guaranteed portion of the outstanding balance of the loan in accordance with the fee schedule in effect at the time the loan was approved.

When the loan is increased, the fee is recalculated based on the revised loan amount.

Example:

In FY 2022, a loan was approved for \$950,000 and was subject to a Lender's Annual Service Fee of 0.49% of the guaranteed portion of the outstanding balance of the loan, per the fee schedule for FY 2022.

In FY 2023, the loan was increased, and the gross loan approval amount was greater than \$1 million.

Since the increase is being made to a loan that was approved in FY 2022 loan, the FY 2022 fees apply, and the Lender's Annual Service Fee is increased to 0.55% of the guaranteed portion of the outstanding balance of the loan, per the FY 2022 fee schedule.

See SOP 50 10 6 Part 2, Section A, Chapter 6 for more information on additional fees for loan increases.

SBA Information Notice [5000-836123](#) FY23 7(a) Fees

Lender's Annual Service Fee when multiple 7(a) loans are made within 90 days

- In FY 2023 when two or more 7(a) loans with maturities exceeding 12 months are made to an applicant or its affiliates within 90 days of each other, the Lender's Annual Service Fee is set for each loan on a standalone basis without respect to any other loans made (i.e., the loans are **not** aggregated)
- **Note:** this is different than in FY 2022. In FY 2022 when two or more 7(a) loans are made within 90 days of each other, the Lender's Annual Service Fee is calculated by aggregating the loans.

SBA Information Notice 5000-836123 FY23 7(a) Fees

Upfront Fee for SBA Express Loans Made to Veteran-owned Small Businesses:

- The CARES Act directed that going forward on a permanent basis, regardless of subsidy levels, for all SBA Express loans made to businesses owned and controlled by a [veteran](#) or spouse of a veteran, the Upfront Fee will be \$0
- Lenders must document in their loan file the veteran eligibility for fee relief using the documentation in the Attachment to this Notice and must include a copy of that documentation with any guaranty purchase request
- Although all SBA Express loans (and any other type of 7(a) loan that is \$500,000 or less) will have a \$0 Upfront Fee in FY23 in accordance with the FY23 fee schedule, future years will have different fees schedules. However, the CARES Act ensures that SBA Express loans to veterans or spouses of veterans will always have an Upfront Fee of \$0, regardless of the fee schedule for other types of 7(a) loans.



Eligibility Passive Businesses

Eligibility – Passive Businesses

13 CFR 120.110(c)

The following types of businesses are ineligible

“(c) Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds (except Eligible Passive Companies under § 120.111);”

What does this mean?

- Acquisition or construction of property to lease out to others is not eligible;
- Landlords are not eligible.;
- Developers are not eligible;

See SOP 50 10 6 Part 2, Section A, Chapter 3, para. A.3. for “Passive Businesses”

Eligibility – Passive Businesses

SOP 50 10 6 Part 2, Section A, Chapter 3 , para. A.3. - Passive Businesses

Not eligible if business:

- Does not actively use or occupy the assets acquired/improved
- Subdivides property for resale
- Primarily engaged in owning RE and leasing it out for any purpose
- Gives sole discretion of business operations to a management company
- Operates as an apartment building, or mobile home park
- Is a residential facility not licensed as a nursing home or assisted living facility

Ineligible passive businesses are not eligible for an SBA loan for ANY purpose

Eligibility – Passive Businesses

SOP 50 10 6 Part 2, Section A, Chapter 3 , para. A.3. - Passive Businesses

Limited circumstances businesses engaged in leasing or renting may be eligible:

- Hotels/motels/RV Parks/Marinas/Campgrounds where >50% of revenues are from transients who stay for 30 days or less at a time and is zoned properly;
 - *What about businesses using “AirBnB”; “Vrbo”; “HomeAway” and similar apps?*
- Businesses licensed as nursing homes or assisted living facilities and providing health care services;
- Businesses engaged in leasing equipment, household goods or other items provided <50% of its revenue is from financing its sales;
- Barber shops, hair salons, nail salons and similar personal services business
 - ***What about salon suites?***

Eligibility – Passive Businesses

§ 120.111 – Eligible Passive Companies (EPC)

- An exception to the Passive Business prohibition – Thus strictly enforced!
- All EPCs are holding companies, but not all holding companies are EPCs!
- Property must be for the use and benefit an eligible Operating Company (OC)
 - May have more than one OC
- OC(s) must be guarantor or co-borrower
- EPC may not conduct ANY other business other than leasing the property to OC

Eligibility – Passive Businesses

§ 120.111 – Eligible Passive Companies (EPC)

- The EPC must lease 100% of the property to the eligible OC(s)
 - ✓ Must have a written lease between EPC and OC(s)
 - ✓ Rent payments made to EPC may not exceed necessary direct expenses of EPC (e.g. routine maintenance, utility expenses, insurance, property taxes)
 - ✓ OC may sublet up to allowable occupancy restrictions
 - ✓ May not sublet any portion to a business involved in illegal activity
 - ✓ May not improve or furnish any part of sublet space
- OC(s) must be guarantor or co-borrower
- EPC may not conduct ANY other business other than leasing the property to OC

Eligibility – Passive Businesses

§ 120.131 – Leasing part of new construction or existing building to another business - Occupancy Requirements

Occupancy of the property to be acquired/constructed is key to eligibility.

- If new construction, Borrower may permanently lease out up to 20% of “Rentable Property”
 - Must immediately occupy at least 60% of Rentable Property; and
 - Plan to occupy and use remaining space not permanently occupied within 3 years; and
 - Plan to permanently occupy at least 80% of the Rentable Property within 10 years.
- If acquiring or renovating an existing building, Borrower may permanently lease up to 49% of the Rentable Property.
- None of constructed or renovated property may be furnished or improved with the SBA loan proceeds.
- Property must be zoned for business/commercial use

Eligibility – Passive Businesses

Occupancy Requirements - Continued

- *What about Residential Space?*
- Mixed-use properties – may include some residential space
 - Residential space may not be considered as occupied by the business;
- Residential space as part of the business
 - Business requires a resident owner or manager (i.e.: horse-boarding facilities)
 - Cannot exceed 49% of total property
- May not lease any portion to a business involved in illegal activity
- Loan proceeds may not be used to improve or furnish any leased space

Eligibility – Passive Businesses

What about...

Then why are Mini-Warehouse/Self-Storage facilities eligible?

- Rental of storage space to store “things” not “People”,
- Renting space to other people or businesses (“People”) is not eligible.
- Mini-warehouses and self-storage facilities typically do not allow one to operate their business out of their facilities – only to store items.

What about outdoor storage yards?

- Outdoor storage yards, parking lots, and similar businesses are eligible

What about equipment leasing businesses?

- Generally, are eligible – so long as majority of revenue is not from financing activities (120.110(b))

Eligibility – Passive Businesses

What about acquiring land for farming businesses?

Farm enterprises may use proceeds to:

- Acquire land, buildings, and improvements as part of an eligible project;
- Purchase M&E, seed, and animals;
- Pay operating expenses

- Personal expenses of family living expenses are not eligible

Cannot acquire farmland in excess of the farming operation's needs.

Cannot construct, renovate, improve or furnish the farmhouse

Eligibility – Passive Businesses

Examples of other ineligible “passive” business situations:

- Franchise Development Agreements (FDAs);
 - Area Development Rights are not FDAs.
- Leasing out land to billboard advertisers;
- Leasing out land for cell phone towers;
- Leasing out land for solar farms and wind turbines;
- “Pyramid” sales distribution plans and Multi-level marketing are not eligible



U.S. Small Business
Administration

Office of Financial Program Operations

Jihoon Kim, Director

Babak Hosseini, Deputy Director

Joel Stiner, Fresno Center Director



U.S. Small Business
Administration

Commercial Loan Service Center - Fresno

*Everything you wanted to know,
but were afraid to ask*

A video about what we do at CLSC-Fresno

Joel Stiner

Center Director



Joel.Stiner@sba.gov
(800)347-0922 ext. 2751

Michelle Serrano

Deputy Center Director Guaranty Purchase



Michelle.Serrano@sba.gov

(800)347-0922 ext. 2901



John Gossett

**Assistant Center Director
for 7(a) and 504 Loan Servicing**

John.Gossett@sba.gov

(800)347-0922 ext. 2838

Gary Wamhof

Assistant Center Director for 504 Liquidation



Gary.Wamhof@sba.gov

(800)347-0922 ext. 2912

Christine Phuangkeo

Assistant Center Director for Post Servicing

Christine.Phuangkeo@sba.gov

(800)347-0922 ext. 2929

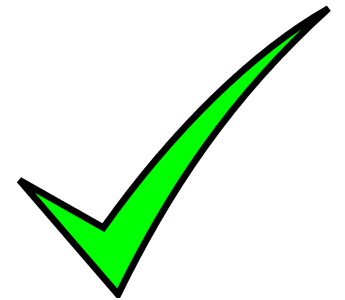


Teresa Rodriguez

Director of Quality Assurance

Teresa.Rodriguez@sba.gov

(800)347-0922 ext. 2964



Katherine Ayala

Chief Administrative Officer



Katherine.Ayala@sba.gov

(800)347-0922 ext. 2972

Michelle Oleksa

Chief Center Counsel

Michelle.Oleksa@sba.gov

(800)347-0922 ext. 2756





U.S. Small Business
Administration



WE'RE HERE TO
HELP

Thank You!

**We're glad you could join us today and don't
hesitate to reach out if we can be of service!**

Website - Commercial Loan Service Centers – Fresno / Little Rock

Video – Commercial Loan Service Center - Fresno

Click below to learn more about our Center Team



Commercial Loan Service Center - Fresno

*Everything you wanted to know,
but were afraid to ask*

A video about what we do at CLSC-Fresno

Commercial Loan Service Centers are online!


The Commercial Loan Service Centers of Fresno and Little Rock are excited to have a NEW and IMPROVED webpage. Frequently asked questions about servicing, liquidation, purchasing, and post-purchase - in addition to helpful links, templates and tools – can all be found online!

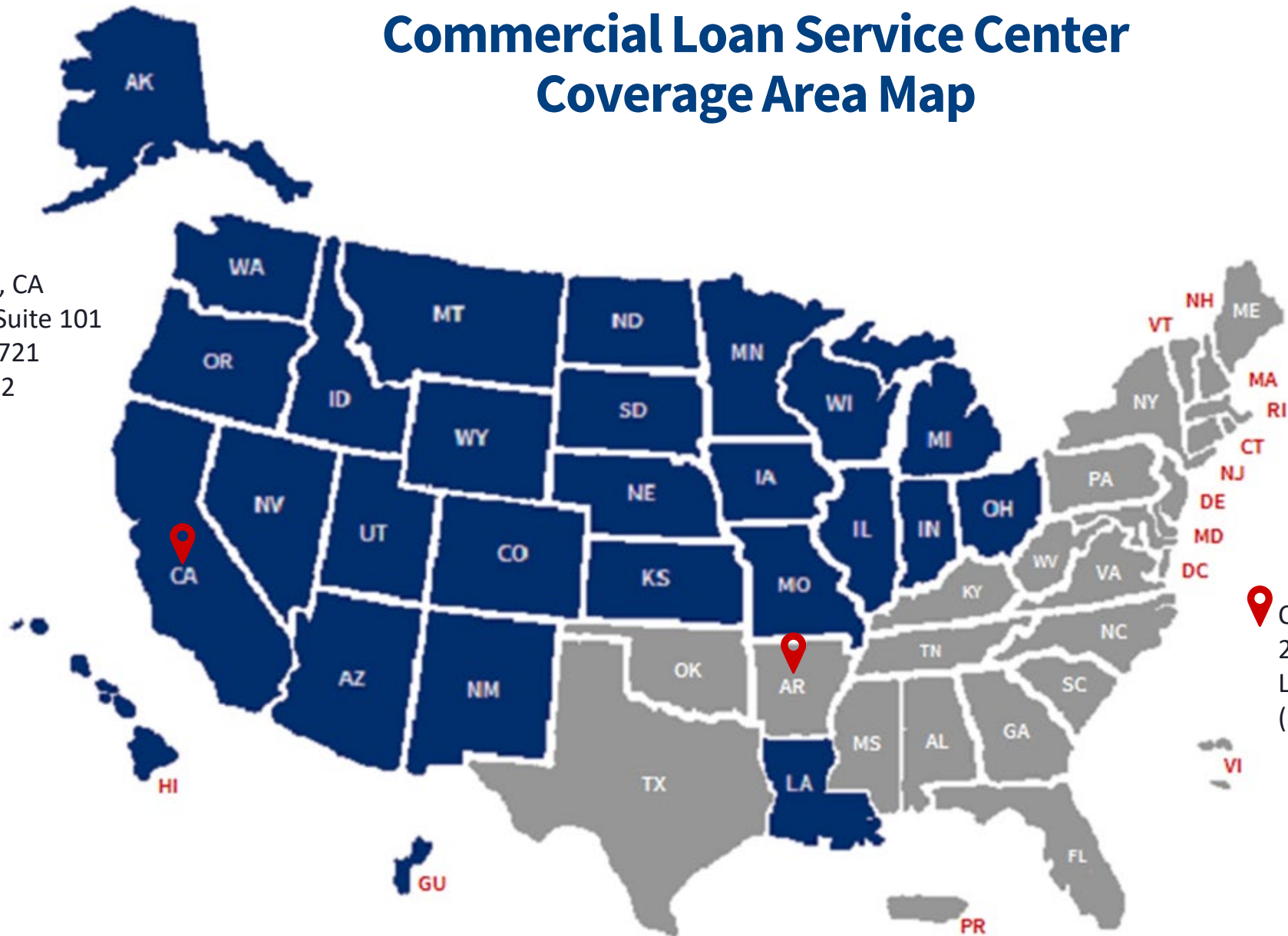
Visit us at [Commercial Loan Service Centers \(sba.gov\)](https://www.sba.gov/commercial-loan-service-centers)

Or, to take the scenic route, go to www.sba.gov:

Look to the bottom of the page, under “**About SBA**”,
click on “**SBA Locations**” then “**Loan and Guaranty Centers**”

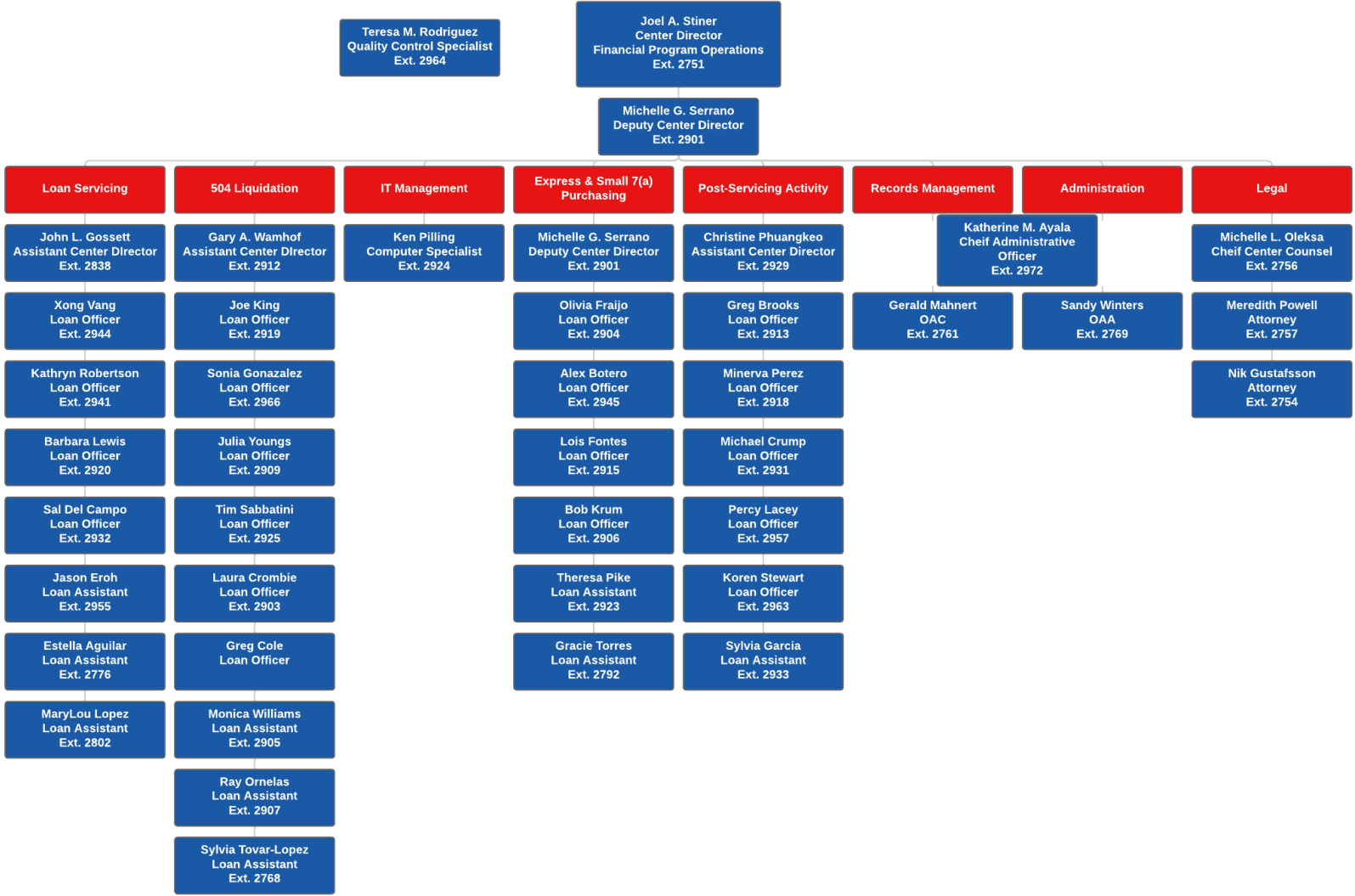
Commercial Loan Service Center Coverage Area Map

 CLSC – Fresno, CA
801 R Street, Suite 101
Fresno, CA 93721
(800) 347-0922



 CLSC – Little Rock, AR
2120 Riverfront Drive, Suite 100
Little Rock, AR 72202
(501) 324-5871

CLSC – Fresno Onsite Team Org Chart



Role of the Service Center

Four Main Functions:

- **Loan Servicing Team** – Services requests related to loans in regular servicing status 7(a) & 504 Loans
- **Express/Small 7(a) Purchase & Liquidation Team** - Pre-Purchase demand kit (PDK) processing, offer in compromises, secondary market purchases
- **504 Loan Purchase and Liquidation Team** - All requests relating to 504 loans downgraded to “in liquidation” status and offer in compromises
- **Post Servicing Team** - 504 & 7(a) Post Liquidation Actions: Post-Purchases, loan charge off and treasury related requests

Centralization of Servicing

Loan Approved by
Processing Center



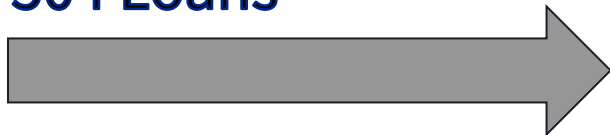
Loan transferred to CLSC after final disbursement of term loans/*partially disbursed revolving loans*.

Delegated/E-Tran
Loan



Loan transferred to CLSC after final disbursement of term loans/partial disbursement of revolvers.

504 Loans



Loan transferred/collateral file shipped to the CLSC once the debenture has funded.

Which Center(s) purchase which loans?

Sub Program Code	Description	Center
1003	Guaranty – Standard 7(a) Loans Over \$350,000*	Herndon
1003	Guaranty – 7(a) Small Loans \$350,000 or less approved on or after 1/1/2014*	Little Rock / Fresno
1007	Seasonal Line of Credit (CAPLine)	Herndon
1008	Contract Guaranty (CAPLine)	Herndon
1009	Small General Contractors – Sec. 7(a) (9) (CAPLine)	Herndon
1013	Export Working Capital Program (EWCP)	Herndon
1018	International Trade	Herndon
1026	Standard Asset Based (CAPLine)	Herndon
1027	SBA Express / Export Express	Little Rock / Fresno
1030	Small Asset Based (CAPLine)	Herndon
1031	USCAIP Guaranty (NAFTA)	Herndon
1032	Community Express	Little Rock / Fresno
1034	Export Import Harmonization	Herndon
1037	Gulf Opportunity	Little Rock / Fresno
1038	Patriot Express	Little Rock / Fresno
1039	Rural Lender Advantage	Herndon
1042	Dealer Floor Plan	Herndon
1043	Lender/Small Loan Advantage Initiative (SLA)	Little Rock / Fresno
1044	Community Advantage Initiative (CA)	Little Rock / Fresno

*Based on original, approved loan amount.

Common Reasons for Purchase Repair/Denial

(Bolded could be either 7(a) Repair or Denial)

- Ineligible franchise
- Ineligible fuel supplier/jobber agreement
- Inadequate environmental assessment
- Negligent lender credit analysis
- **Ineligible use of proceeds (e.g., Express proceeds used to pay off another SBA loan/refinance of same institution debt with reduction in bank exposure)**
- **Inadequate documentation to support required use of proceeds**
- **Inadequate verification of equity injection and/or source**
- **Failure to obtain required collateral lien position**
- **Failure to properly perfect security interest in collateral**
- **Failure to obtain required guarantor**
- **Lack of meaningful collateral evaluation resulting in loss**
- **Release or failure to protect security interest in collateral w/o adequate justification**
- **Required hazard insurance on collateral not obtained/retained resulting in loss**
- Failure to verify borrower financial information with IRS Transcripts
- **Required life insurance not obtained/retained resulting in loss**
- **Guarantors released/compromised without proper justification/SBA approval**
- **Improper application of loan payments, collateral proceeds, and/or expenses**
- **Untimely or no site visit resulting in loss of collateral**
- **Collateral abandoned without adequate justification**
- Purchase not requested within 180 days of loan maturity or completion of liquidation/debt litigation activity.
- OIG issue
- **Bankruptcy deficiency (such as failure to file proof of claim resulting in loss)**
- **Community Express loan – technical assistance deficiency**
- **Express loan – GTY % Reduction – Lender failed to comply with requirements of specialized Express Loan Program (e.g., Export Express, Patriot Express, etc.)**
- SBA Express loan – 912 or 1919 deficiency w/o satisfactory alternate documentation

504 Loan Liquidation

LOAN RESOLUTION where appropriate

SBA will go to great lengths to help delinquent borrowers bring their loan current.

- Loan modifications are strongly encouraged when appropriate.
- Case-by-case basis in an effort to assist the borrower, keep the business operating, and to preserve jobs!
- Flexible workout terms – Maturity extensions, reduced monthly payments, interest rate modifications, etc.
- SBA has a standardized Loan Modification Agreement.

The Alternative

Enforced collections on liable parties.

- Once a loan becomes 120 days delinquent, if there is not an SBA approved workout plan in place, enforced collections will commence.
- Liable parties referred for Treasury Offset.

This fiscal year, 55% of Fresno-CLSC “In Liquidation” cases have ended up (a) being returned to regular servicing (25%) or (b) being paid in full (30%)!

Less than half wound up with a charged-off balance!

What Happens after Loan Charge-Off?

After a loan is charged-off, a Due Process Notice is sent to all liable parties on the loan.

- The notice advises the borrower of 60 day window to work with SBA directly on an OIC or post charge-off workout.
- If the borrower fails to contact SBA within 60 days, the loan will refer to Treasury for collections.

Once a loan is at Treasury, the SBA/Lender can no longer service the loan.

- If the borrower reaches out to the SBA/Lender at this stage, the borrower must be directed to contact Treasury to discuss their repayment options.
- Treasury can be contacted at 1-888-826-3127.
- When a loan is referred to Treasury for full Servicing, they tack up to 30% servicing fees on top of the SBA loan balance.
- SBA/Lender cannot accept payment from the borrower once a loan is at Treasury.

Example Due Process Notice

Dear Borrower:

This is official notice that U.S. Small Business Administration ("SBA") intends to refer you to the U.S. Department of the Treasury ("Treasury") as a delinquent borrower or guarantor on a loan made by SBA or made by a lender (such as a bank, credit union or certified development company) and guaranteed by SBA. By law, federal agencies such as SBA are required to refer delinquent debtors to Treasury for offset of federal or state payments and other collection actions, such as administrative wage garnishment, if their debts become more than 120 days past due. The debt you owe to SBA or to a lender, which is now being serviced by SBA, is seriously delinquent. If you do not pay your delinquent debt or agree to a repayment plan or provide supporting documentation acceptable to SBA in its discretion showing that you are not liable for the debt **WITHIN 60 DAYS FROM THE DATE OF THIS NOTICE**, SBA will refer your debt to Treasury, and Treasury may add interest and substantial collection fees, (30% or more) to your unpaid debt as provided by law.

Please note: Present balance is subject to additional expense that may be added to your total outstanding debt with the SBA.

If your debt has been discharged in bankruptcy or you filed bankruptcy and the automatic bankruptcy stay is in effect, please notify SBA's Treasury Collection Coordinator by sending a copy of the bankruptcy notice to the address set forth below via certified mail as soon as possible.

What is offset? Once your delinquent debt is submitted for offset, Treasury or a state may reduce or withhold any of your eligible federal or state payments, as appropriate, for application against your debt. Payments eligible for offset may include the following:

- Your federal or state income tax refunds;
- Your federal salary, or military salary, or federal retirement pay;
- Your federal or state contractor or vendor payments;
- Your federal or state benefit payments, such as Social Security payments.

What else may happen? SBA and Treasury may report you to credit bureaus, providing them with information about your delinquent obligation including your name, address, social security number, loan amount, account status and payment history. Credit bureaus may retain negative credit information for 7-10 years, possibly preventing you from obtaining future loans. Treasury may also garnish wages you earn from a non-federal employer, refer your debt to private collection agencies, refer your debt to the U.S. Department of Justice for collection through litigation, or report your unpaid debt to the Internal Revenue Service (IRS) as potential additional income that may be subject to taxation. You may also be prevented from receiving additional federal financial assistance because of your delinquent debt.

What if you are a federal employee or retiree? If you are a current or former federal/military employee with salary or retirement benefits, Treasury or SBA may deduct a percentage of your disposable (net) pay, ordinarily 15% or 25%, to apply toward your delinquent debt. This would continue every pay period until your debt, including interest and collection costs, is paid in full. However, if Treasury or SBA plans to start this type of offset, you will receive a notice before the salary offset begins and the notice will explain your rights.

What rights do you have if Treasury or SBA plans to start administrative wage garnishment (AWG)? By using AWG, Treasury or SBA can order your employer to withhold up to 15% of your disposable (net) pay to apply against your delinquent SBA debt. If Treasury or

SBA intends to use AWG, you will receive a notice before the administrative wage garnishment begins and the notice will explain your rights.

What if you file a joint income tax return? You should contact the IRS before filing your tax return and ask about the steps you must take to protect the share of your income tax refund that may be payable to your spouse if he/she is not a delinquent federal debtor. You should request Form 8379, Injured Spouse Allocation, from the IRS before filing your return and follow the instructions for the form.

What can I do to dispute this debt? Prior to the referral of your debt to Treasury for collection, you may (1) make a written request for a copy of SBA's records related to your debt; (2) make a written request for a review of SBA's claim that you owe this debt. Please submit your written request to the contact information listed below within sixty (60) days from the date this notice. If you believe that all or part of your debt is not delinquent or cannot legally be collected, you must send documentation to support that belief, which may include: copies of cancelled checks, SBA letters, or other satisfactory evidence of debt resolution prior to referral to the mailing address below. Please note that the request for review or loan documents or submission of information to Treasury will not prevent your loan from being referred to the Department of Treasury.

What can you do to prevent referral to Treasury? You must do one of the following within 60 days from the date of this notice:

- **REPAY YOUR DEBT:** Send payment in full to SBA P.O. Box 740192 Atlanta, GA 30374 or use www.pay.gov to pay your debt. The amount you owe and your loan number are indicated on your enclosed payment notice. You must include your loan number or taxpayer identification number on your check or money order to ensure proper credit.
- **AGREE TO A REPAYMENT PLAN:** If you are unable to pay your debt in full you must write or call SBA using the contact provided and agree to an acceptable repayment plan to make payments required under the plan. Contact information is provided below:

**SBA TREASURY COLLECTION COORDINATOR:
TOLL FREE PHONE NUMBER:**

Mailing Address: Mail merge depending on location and/or status code

If you have any questions about this notice or your rights, you should call SBA immediately at the number provided and speak with a SBA Treasury Collection Coordinator. **THIS IS THE ONLY NOTICE YOU WILL RECEIVE BEFORE YOUR DELINQUENT DEBT IS SENT TO TREASURY.** Once referred to the Department of Treasury; SBA will no longer service this debt.

If you make or provide any false or misleading statements, representations or evidence to SBA or Treasury, you may be liable for penalties under the False Claims Act (31 U.S.C. § 3729-3731) or other statutes, and/or criminal penalties under 18 U.S.C. § 286, 287, 1001 and 1002, or other applicable law.

Sincerely,

What if I have an inquiry or request related to...

	Department	Manager	Ext.
7(a), 504, or PPP loan in regular servicing?	FSC.Servicing@sba.gov	John.Gossett@sba.gov	2838
7(a), 504, or PPP loan in “Charge off” status?	FSC.PostServicing@sba.gov	Christine.Phuangkeo@sba.gov	2929
Charged-Off PPP loan where borrower is seeking forgiveness or a repayment plan?	FSC.PostServicing@sba.gov	Christine.Phuangkeo@sba.gov	2929
Express or Small 7(a) loan in liquidation status?	FSC.Purchasing@sba.gov	Michelle.Serrano@sba.gov	2901
Purchase Demand Kits (PDK)?	FSC.Purchasing@sba.gov	Michelle.Serrano@sba.gov	2901
Purchased 7(a) loan not yet been charged off and is subject to Semi-Annual Reporting?	FSCSAR@sba.gov	Christine.Phuangkeo@sba.gov	2929
Offer in Compromise (OIC) on an Express or Small 7(a) loan?	FSC.Purchasing@sba.gov	Michelle.Serrano@sba.gov	2901
504 loan in liquidation status?	FSC.504Liquidations@sba.gov	Gary.Wamhof@sba.gov	2912
Purchased 504 loan that has been returned to regular servicing status?	FSC.Servicing@sba.gov	John.Gossett@sba.gov	2838
Offer in Compromise (OIC) on a 504 loan?	FSC.504Liquidations@sba.gov	Gary.Wamhof@sba.gov	2912
Paid in full 504 loan and CDC is missing a Limited Power of Attorney or Collateral File?	CDC.PIF@sba.gov	Katherine.Ayala@sba.gov	2972



(800)347-0922

Save the Date – 2022 Updates



7(a) Connect Quarterly Update – 3:00 p.m. Eastern

- Quarterly call for 7(a) Lenders and SBA staff
- **Schedule for 2023 TBD (will be emailed to 7(a) OFA updates subscribers)**

504 Connect Quarterly Update – 3:00 p.m. Eastern

- Quarterly call for CDCs, Third Party Lenders and SBA staff
- [December 13, 2022](#)

Subscribe/unsubscribe:

- [7\(a\) OFA updates](#)
- [7\(a\) Community Advantage Pilot Program updates](#)
- [504 OFA updates](#)

Questions?

