



U.S. Small Business Administration Office of Capital Access

**504 Connect Call
June 9, 2020**



U.S. Small Business
Administration

Office of Capital Access

Monthly Performance Dashboard

Data as of 05/31/2020

Office of Capital Access

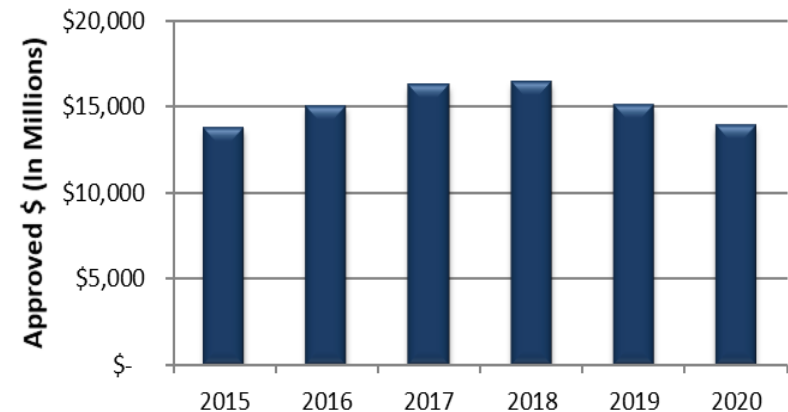


John Miller
Deputy Associate Administrator

YTD Activity – Total 7(a) and 504

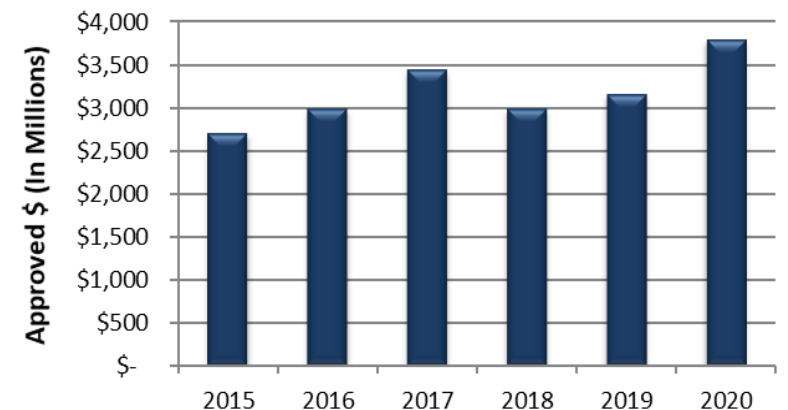
7(a) Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2020	28,552	\$ 13,880,311,300
2019	34,079	\$ 15,053,434,400
2018	39,607	\$ 16,464,788,300
2017	39,681	\$ 16,272,810,100
2016	41,351	\$ 14,987,669,843
2015	38,539	\$ 13,742,268,900



504 Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2020	4,543	\$ 3,795,656,000
2019	3,903	\$ 3,154,635,000
2018	3,682	\$ 2,997,581,000
2017	4,210	\$ 3,440,267,000
2016	3,740	\$ 2,998,422,000
2015	3,744	\$ 2,710,619,000

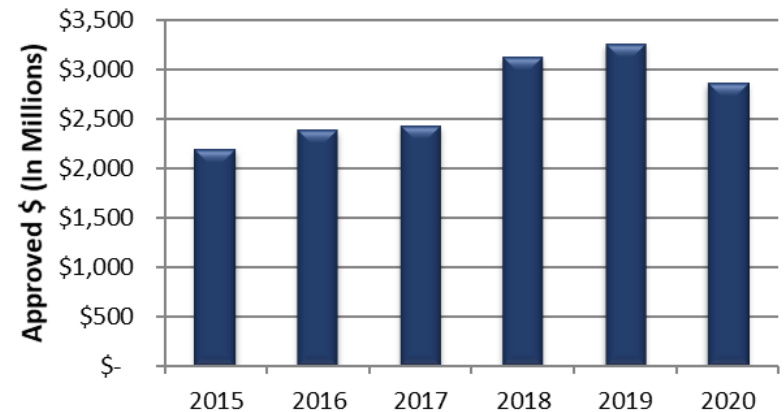


Time Period Comparison (activity through 05/31 of each FY)

YTD Activity – Franchise

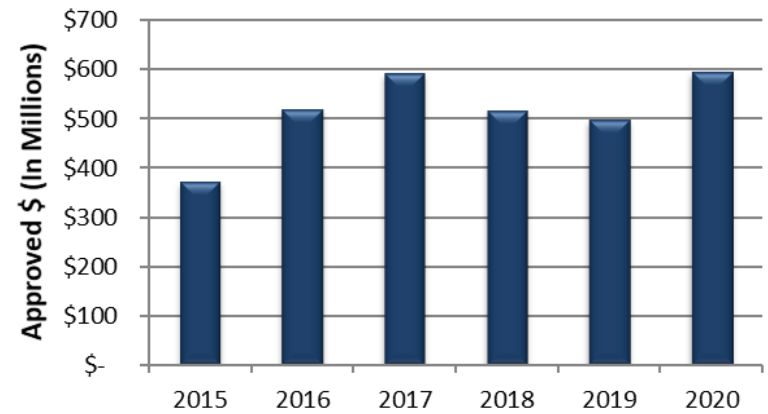
7(a) Franchise Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2020	3,844	\$ 2,871,044,300
2019	4,429	\$ 3,261,862,700
2018	4,401	\$ 3,133,795,800
2017	3,675	\$ 2,434,373,500
2016	3,853	\$ 2,398,899,000
2015	3,587	\$ 2,201,651,600



504 Franchise Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2020	422	\$ 594,363,000
2019	375	\$ 498,412,000
2018	357	\$ 517,615,000
2017	422	\$ 592,784,000
2016	385	\$ 520,058,000
2015	335	\$ 373,264,000



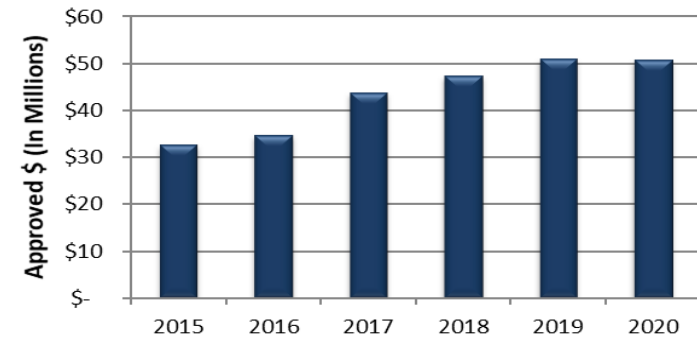
Time Period Comparison (activity through 05/31 of each FY)

*The addition of the Franchise Directory has resulted in an over 154% increase in eligible franchise brands. Now on the Franchise Directory there are 5,181 brands, when the Directory was first published in October 2017 there were 2,034 brands.

YTD Activity – Mission Programs

Microloans

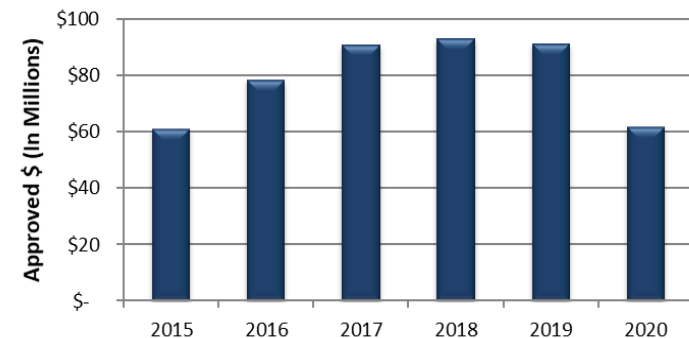
Fiscal Year	Approved Loans	Approved Dollars
2020	3,508	\$ 50,917,973
2019	3,461	\$ 51,043,475
2018	3,458	\$ 47,402,934
2017	3,118	\$ 43,811,870
2016	2,512	\$ 34,839,502
2015	2,214	\$ 32,649,948



- FY19 Microloan approvals underreported due to lag in micro lender reporting.

Community Advantage

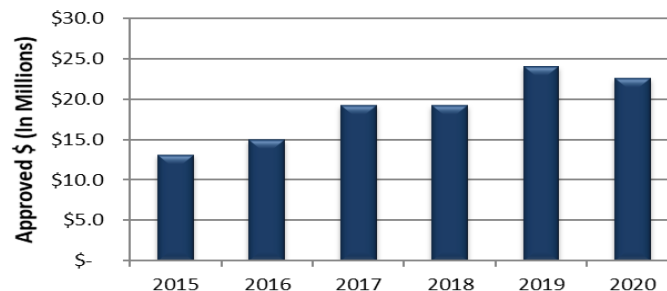
Fiscal Year	Approved Loans	Approved Dollars
2020	430	\$ 61,977,000
2019	651	\$ 91,387,900
2018	684	\$ 93,344,000
2017	680	\$ 91,101,800
2016	631	\$ 78,513,100
2015	484	\$ 61,185,500



YTD Activity – Microloans – Underserved Markets

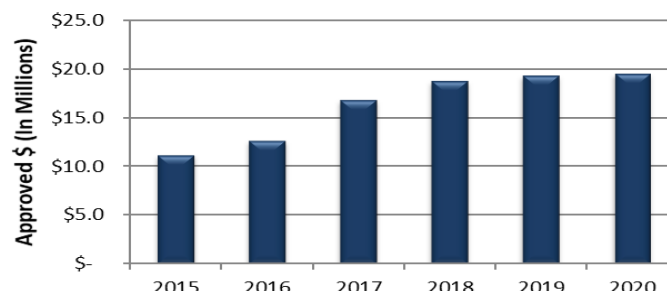
Minority

Fiscal Year	Approved Loans	% of #	Approved Dollars	% of \$
2020	1,987	56.6%	\$ 22,634,582	44.5%
2019	2,082	60.2%	\$ 24,139,015	47.3%
2018	1,835	53.1%	\$ 19,245,173	40.6%
2017	1,674	53.7%	\$ 19,287,359	44.0%
2016	1,379	54.9%	\$ 15,017,467	43.1%
2015	1,154	52.1%	\$ 13,156,145	40.3%



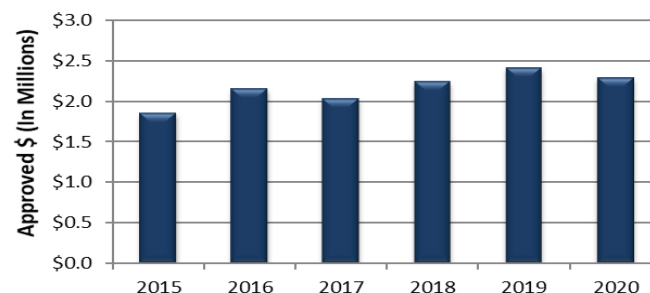
Women

Fiscal Year	Approved Loans	% of #	Approved Dollars	% of \$
2020	1,653	47.1%	\$ 19,514,372	38.3%
2019	1,645	47.5%	\$ 19,306,190	37.8%
2018	1,705	49.3%	\$ 18,798,431	39.7%
2017	1,443	46.3%	\$ 16,795,017	38.3%
2016	1,100	43.8%	\$ 12,686,052	36.4%
2015	918	41.5%	\$ 11,193,215	34.3%



Veteran

Fiscal Year	Approved Loans	% of #	Approved Dollars	% of \$
2020	127	3.6%	\$ 2,289,641	4.5%
2019	115	3.3%	\$ 2,407,923	4.7%
2018	140	4.0%	\$ 2,239,022	4.7%
2017	129	4.1%	\$ 2,030,621	4.6%
2016	125	5.0%	\$ 2,154,286	6.2%
2015	95	4.3%	\$ 1,850,743	5.7%



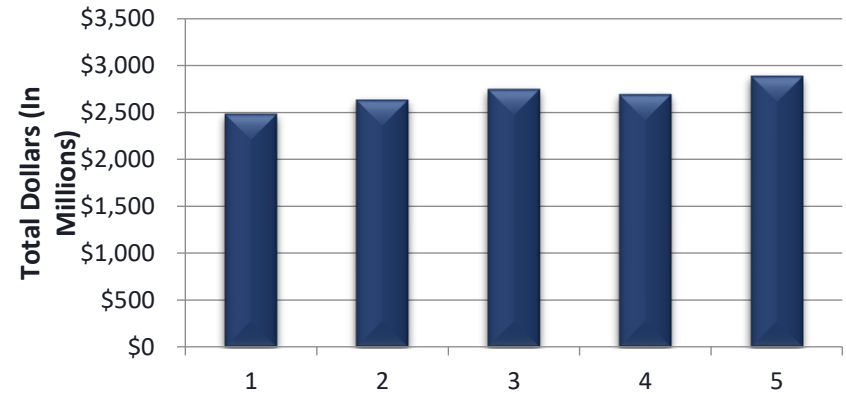
Time Period Comparison (activity through 05/31 of each FY)

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

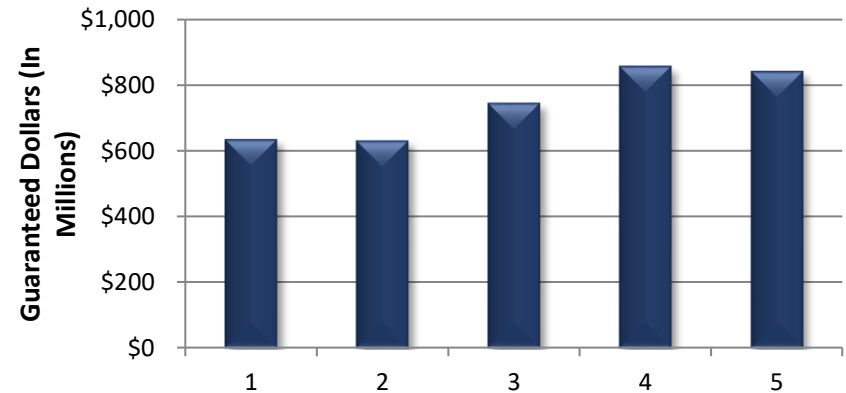
Bid, Payment/Performance Activity

Fiscal Year	Total Bonds	Total Dollars
2020	6,673	\$4,489,079,020
2019	6,594	\$4,352,826,398
2018	7,094	\$4,318,893,416
2017	6,978	\$4,106,296,983
2016	6,947	\$3,906,060,595



Payment/Performance Activity

Fiscal Year	Guaranteed Bonds	Guaranteed Dollars
2020	1,934	\$1,240,229,866
2019	2,104	\$1,278,518,868
2018	2,162	\$1,176,818,585
2017	1,857	\$939,905,696
2016	1,821	\$938,845,557



FY20 Highlights - 1,406 Small Businesses Assisted; 43 Participating Surety Companies, 3 New; 46.1% of Prior Approval Portfolio from QuickApps (≤ \$400K); 1.42% Loss Rate; \$1,486,849 Recovered; \$613,241 Average Contract Size

Time Period Comparison (activity through 5/30 of each FY)



U.S. Small Business
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Office of Financial Assistance

Dianna Seaborn
Director

504 Program Updates

SBA Interim Final Rule
Rescission

Section 1112 – New
Originations

COVID-19 Agreements –
Remedy Adverse Change



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Rescission of SBA Interim Final Rule



Section 1102 of the CARES Act, paragraph (e),
permanently rescinds the interim final rule
Express Loan Programs; Affiliation Standards
(85 FR 7622)

SBA Interim Final Rule - Rescinded

Areas Impacted by the rescission relevant to the 504 program:

1. Credit Elsewhere update on the Personal Resources Test
2. Affiliation
3. Agent's Fees



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Credit Elsewhere

Credit Elsewhere

The OCRM Final Rule published 4/15/2020 updated §120.101.

- SBA provides business loan assistance only to applicants for whom the desired credit is not otherwise available on reasonable terms from non-Federal, non-State and non-local government sources.
- Submission of an application to SBA by a Lender or CDC constitutes certification by the Lender or CDC that it has examined the availability of credit to the applicant.
- Consideration factors include:
 - The business industry of the loan applicant;
 - Whether the small business has been in operation two years or less;
 - Adequacy of collateral available to secure the loan;
 - The loan term necessary to reasonably assure repayment of the loan from actual or projected business cash flow;
 - Other factors that cannot be overcome except through obtaining a Federal guarantee under prudent lending standards.

SBA Express Interim Final Rule



§120.102 Funds not available from alternative sources, including the personal resources of owners. **RESCINDED BUT Personal Liquidity must be addressed from principal(s) as set forth in SOP 50 10 5 (K), Subpart C., Ch.2. Para. II.E.**



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Affiliation

Affiliation ([13 CFR § 121.301\(f\)](#))

(4) Affiliation based on identity of interest. Affiliation arises when there is an identity of interest between close relatives, as defined in 13 CFR 120.10, with identical or substantially, identical business or economic interests (such as where the close relatives operate concerns in the same or similar industry in the same geographic area). Where SBA determines that interests should be aggregated, an individual or firm may rebut that determination with evidence showing that the interests deemed to be one are in fact separate.

Reverted to 2019 version of CFR

Affiliation (13 CFR § 121.301(f))

(5) *Affiliation based on franchise and license agreements.* The restraints imposed on a franchisee or licensee by its franchise or license agreement generally will not be considered in determining whether the franchisor or licensor is affiliated with an applicant franchisee or licensee provided the applicant franchisee or licensee has the right to profit from its efforts and bears the risk of loss commensurate with ownership. SBA will only consider the franchise or license agreements of the applicant concern.

Reverted to 2019 version of the CFR



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Administration

Agent's Fees

Current Language

Lender Charged Fees **(only for Lender permitted fee)** **([13 CFR § 120.221](#))**

(a) *Service and packaging fees.* The Lender may charge an applicant reasonable fees (customary for similar Lenders in the geographic area where the loan is being made) for packaging and other services. The Lender must advise the applicant in writing that the applicant is not required to obtain or pay for unwanted services. The applicant is responsible for deciding whether fees are reasonable. SBA may review these fees at any time. Lender must refund any such fee considered unreasonable by SBA.

Reverted to 2019 version of CFR

Agent's Fees and Form 159

(13 CFR § 103.5)-(b)

b) Compensation agreements must provide that in cases where SBA deems the compensation unreasonable, the Agent or Packager must: reduce the charge to an amount SBA deems reasonable, refund any sum in excess of the amount SBA deems reasonable to the Applicant, and refrain from charging or collecting, directly or indirectly, from the Applicant an amount in excess of the amount SBA deems reasonable.

Reverted to 2019 version of the CFR



U.S. Small Business
Administration

504 Program Division

Linda Reilly
Chief, 504 Loan Division

IRS IVES – Open for 3 Days

IVES accepting new work

Fax lines open June 8 to June 11 until 11:00 a.m. Eastern
Must use the fax # for your assigned site

Fax number	Site
(844) 249-6238	Austin
(844) 249-6239	Fresno
(844) 249-8128	Kansas City
(844) 249-8129	Ogden

- Accepting up to 50% of new work
- Will confirm work received
- Processing time delayed due to limited staff
- Subscribe to IRS IVES updates: <https://www.irs.gov/e-file-providers/subscribe-to-the-ives-news>

504 Program Update

Section 1112 Subsidy Payment of CARES Act

- [SBA Procedural Notice 5000-20020](#) – effective April 16, 2020
- [SBA Procedural Notice 5000-20023](#) – effective April 29, 2020

504 Certifications of No Adverse Change

- [SBA Procedural Notice 5000-20010](#) - effective March 25, 2020 –
-- **April, May, June 2020** Debenture Sales
- [SBA Procedural Notice 5000-20027](#) - effective May 18, 2020
-- **July, August, September 2020** Debenture Sales



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Section 1112

CARES Act: Section 1112

- Section 1112 of the CARES Act states SBA will pay the principal, interest, and any “associated fees” that Borrowers owe on a “covered loan” in a “regular servicing status” to Certified Development Companies (CDCs) for a 6-month period.
- Additional guidance provided in SBA Procedural Notice 5000-20020 and 5000-20023.

Note:

- The first debenture sale pool to include Section 1112 subsidized loans will be the April 2020 sale for loans submitted for closing in March 2020.
- **The last debenture sale pool to be eligible will be the September 2020 sale for loans submitted for closing in August 2020.**
- For 504 loans with a COVID-19 Agreement and a 90-day or longer deferment, the subsidy will begin and the end of the deferment period.

Appropriation of funds end September 27, 2021

CARES Act: Section 1112 (continued)

Eligible to Receive Section 1112 Subsidy:

- Loans in “regular servicing status” include 504 loans that have been approved, closed and fully disbursed.
- Loans for which the debentures have been purchased and have been returned to regular serving are eligible for subsidy.
- Covered fees included fee paid by the Borrower on a monthly basis:
 - the annual SBA guarantee fee paid on a monthly basis by the Borrower
 - the CSA fee, and
 - the CDC servicing fee.

CARES Act: Section 1112 (continued)

Not Eligible to Receive Section 1112 Subsidy:

- Late fees or catch up payments above amount of regular monthly payments will not receive subsidy.
- Loans in “liquation status” or that should have been moved into “liquidation status” are not included as loans in “regular servicing” and are not eligible for subsidy.



U.S. Small Business
Administration

COVID-19 Agreements to Remedy Adverse Change

504 Certifications of No Adverse Change during the COVID-19 Emergency

- 504 loans with No Adverse Change determination do not require a COVID-19 agreement.
- 504 loans with an Adverse Change documented required a COVID-19 agreement to remedy the adverse change.
- Once an Adverse Change Determination is made using a COVID-19 agreement, CDCs must submit the request to rescind to the deferment to SBA.

COVID-19 Agreements to Remedy Adverse Change

- Guidance is provided in SBA Procedural Notices 5000-20010 and 5000-20027.
- Loans submitted with a COVID-19 agreement to remedy Adverse Change will begin to receive the subsidy payments after the deferment period.
- For loans in the April, May and June 2020 debenture sales:
 - 504 loan is placed on automatic 90 day or up to 6 months deferment
 - TPL deferment matches length of 504 deferment
- For loans in the July, August and September 2020 debenture sales
 - 504 loan deferment is 90 days
 - TPL deferment is 90 days

504 Certifications of No Adverse Change during the COVID-19 Emergency (continued)

- For the **April, May and June** debenture sales, the COVID-19 agreement to be used is attached to Procedural Notice 5000-20010.
- The form of COVID-19 Agreement that must be used for the **July, August, and September debenture sales** is attached to Procedural Notice 5000-20027. Previous versions will not be accepted.
- A copy of the fully-executed COVID-19 Agreement signed by the borrower, the CDC the Interim Lender, and Third Party Lender must be submitted to the appropriate SBA District Counsel for review with the closing package.

Rescinding Deferment Granted under COVID-19 Agreement or Approving Deferments After Section 1112 Subsidy Payments

- If the Borrower wishes to terminate the COVID-19 Agreement and the -deferment period early, the CDC must submit the borrower's request to the applicable Commercial Loan Servicing Center at Fresno or Little Rock.
- After 6 months of subsidy payments, 504 deferments will be considered on case-by-case basis. The CDC informs the CSA of their decision to approve the deferment in compliance with SOP 50 55.



U.S. Small Business
Administration

Office of Financial Program Operations

Jihoon Kim
Director

Some Questions to Ask in Uncertain Times

The following questions may assist the CDC's in assessing the impact of the current economic environment on the Small Business:

- (1) Is the business open and operational? At full capacity or reduced capacity or using a contingency plan delivery model?
- (2) Which sector and industry does the entity operate in, and what are its specific lines of business?
- (3) Is the business in a state with a “stay-at-home” order? If yes, when is it scheduled to be lifted?

Some Questions to Ask in Uncertain Times (cont.)

- (4) Is the business in a NAICS sector that was impacted by COVID-19, what is the businesses contingency plan for operations? How has that impacted business revenue?
- (5) How have travel restrictions, traffic flow, and trade restrictions impacted the businesses cost projections, clientele or access to equipment and inventory?
- (6) How has the change in unemployment conditions impacted the businesses employees, clientele and service area?



U.S. Small Business
Administration

Office of Performance and Systems Management

Steve Kucharski
Director

FY20 Going Forward

- Etran Update – Steve Kucharski and OPSM Team
- CSA Update – Steve Stine, Oliver Dolan and CSA Team

CSA Update

- CSA FAQs issued to date are posted on the NADCO website: https://www.nadco.org/mpage/COVID19_Agency#CSA).
- CARES Act payments are marked with an asterisk (*) in the PMT Column of the CDC Loan Detail Fee Information section of the Loan Detail Report on CDC Online.
- CDCs can update the catch-up period of the Deferment/Catch-up plan for the newly funded loans with a COVID-19 adverse change agreement by emailing the CSA a completed Deferment/Catch-up request form.

CSA Update

- If a loan is on deferment or catch-up status and the CDC requests the CSA to cancel the plan, the loan will go back to active status once the CSA processes the cancellation.
- CDCs can reference both the Deferment/Catch-up plan and the loan's amortization schedule to know the payment amount the borrower needs to send while receiving CARES Act payment. This payment needs to be sent on a monthly basis if the borrower wants to follow the plan as the CARES Act only covers normal monthly payments.
- Adverse Change newly funded loans with COVID-19 Agreements will still have a normal note amortization schedule on CDC Online. The Deferment period and Catch-up payment amounts will be reflected on the Deferment and Catch-up plan that will be sent out via email by the CSA in the month after funding.



U.S. Small Business
Administration

Office of Credit Risk Management

Susan Streich
Director

Annual Reporting Requirements

Presently reviewing FY2019 Annual Reports and conducting annual Job Testing for CDCs with FYE 12/31. Reviews reflect the following changes outlined in the Final Rule effective January 3, 2020:

- Change in the loan portfolio threshold from \$20M to \$30M for audited financial statements.
- Change in the requirement to submit copies of professional services contracts, if previously submitted to and/or approved by SBA. CDCs must provide a certification that it had previously submitted a copy of the executed contract(s) to SBA and that no changes had been made. The certification will also need to state to whom and on what date the contract was provided to SBA.
- For Multi-State CDCs that choose the option created under the new §120.835(c)(2), the operating report should include information on the two additional members who are appointed to the Board or to the Loan Committee, if established.

Common Annual Reporting Issues

Below is the list of items most commonly missing or incomplete items from CDC Annual Report submissions:

- Board of Directors contact details and/or board member expertise
- Statement on identification of “close relatives.”
- Board of Directors and/or Loan/Executive Committee quarterly meeting minutes
- CDCs Executive Compensation Policy and evidence of Board Approval
- Professional Staff and/or Organizational Chart
- Legal statements
- Copy of the CDC’s Independent Loan Review (ILR) if one was not submitted in prior year.
- Copies of affiliates financial statements
- Draft financial statements
- Copy of most recent completed Federal Tax Returns
- Detailed breakdown of 504-Related Income/Expenses
- Copies of D&O and E&O insurance coverage policies.
- Analysis of 504 Employment Impact.
- Auditors report on internal control weaknesses
- Compensation report
- Board of Directors signed certification.

Impact of COVID-19 on 504 Oversight Activities

- Started virtual SMART Targeted & Full Reviews in March. We expect to conduct the remainder of reviews this fiscal year (through September 30, 2020) virtually.
- CDC Annual Reports are due to SBA within 180 days of a CDC's fiscal year end. SBA announced in March that it could provide those CDCs with upcoming Annual Report deadlines between March 31, 2020 and June 30, 2020, a 60-day grace period after their original filing date before which SBA may pursue noncompliance for failure to file the report. CDCs interested in this 60-day grace period must submit a request to their assigned Financial Analyst in OCRM (Andrew Bergmanson for SBA Regions 1-4 & 7-10 and Rubina Blackmon for SBA Regions 5 & 6).
- In March, OCRM temporarily suspended issuance of new jobs testing reviews. In June, OCRM restarted our testing of CDC documentation and report on jobs created and/or retained.

OCRM General Mailboxes

- PCLPquarterlyreports@sba.gov – CDC PCLP quarterly loan loss reserve reports submitted to this inbox.
- CDCanualreports@sba.gov – CDCs submit their annual reports to OCRM through this mailbox. CDCs also have the option of submitting annual reports via the Governance Repository.

Questions?

Save the Date – Upcoming Calls

- 504 Connect Call – Sept. 22 at 3:00 ET
Quarterly call for CDCs, Third Party Lenders, SBA LRSs, and other interested parties. The Registration Link will be made available closer to the date of the call.
- 7(a) Connect Call – Tuesday, 07/07/2020 at 3:00 p.m. EST
Quarterly call for 7(a) Lenders, SBA LRSs, other interested parties
You may register for the conference at <https://ems8.intellor.com?do=register&t=1&p=826998> after which you will receive an email containing a personalized access link.