

**PRIORITY: Below are just some of the top-twenty areas of critical concern to small businesses and community banks relative to SBA's 7(a) and 504 loan programs:**

1. **Waive or Permanently Eliminate 13 CFR 120.110(c):** Rental Property is a widespread business activity across these United States and is not statutorily prohibited (its prohibition/ineligibility is merely SBA regulation & policy); **and, allow the resulting newly eligible small business activity to qualify for ARRA of 2009 Sections 501 & 502.** This would open the door to businesses like apartments, mobile home parks, shopping centers, office buildings, storage units, commercial buildings, residential rental property, mixed-use properties, etc. One supporting item is that over 90% of neighborhood strip shopping centers are occupied by small businesses. The authority to accomplish waiver is provided to SBA at 13 CFR 120.3 which allows SBA to waive certain regulations in establishing and testing pilot loan initiatives for a limited period of time. These enhancements would certainly provide increased access to capital to these small businesses that could enable them to survive through this unprecedented economic recession; and, would contribute to the preservation of jobs and retention of employees; and, could even enable the creation of additional jobs. These enhancements could also have a positive impact/effect on the overall U.S. Housing crisis by creating more buyers for the currently unaffordable-homes problem(s) and the existing and future foreclosed-homes situation(s).
2. **Allow Fixed-Asset Refinancing in SBA's 504 Program,** when that refinancing will create or preserve jobs/employment. A historical prohibition to 504-refinancing was recently modified to allow a small percentage of refinancing along with additional capital improvements. The percentage restriction should be removed in its entirety. Many small businesses could take their existing mortgages (that would likely be on a shorter maturity and higher monthly payment) and refinance them with or without consolidating other supportable debt; and, by utilizing the SBA-504 program combination financing package could obtain the benefits of the SBA-504 twenty-year fixed rate financing and lower their overall debt-service requirement/payment(s) and could enable small businesses to weather these unprecedented economic times and enable them to preserve and even create jobs/employment.
3. **Increase SBA-7(a) total loan amount/size limitation from \$2,000,000 to \$10,000,000** (more in parity with the USDA B&I Loan Program) and permitting the lender to request & receive up to a ninety percent guarantee (*in collaboration with the American Recovery and Reinvestment Act of 2009, Sections 501 & 502 and SBA Policy Notices 5000-1097 & 5000-1098*). It appears that the larger lenders/banks are not lending and/or putting money on main-street to businesses, and especially to small businesses, in any attempt at contributing both to the ARRA and/or the re-stabilization of the U.S. economy. Community Banks can do this prudently; and, at the same time, they know and understand the viable small businesses in their communities, and their needs. Most Community Banks continue to be financially sound and have not been caught up in the Large-Bank/Wall-Street bail-out mess or the things that caused it; and, they remain willing and able to make sound small business and consumer loans. The Administration/Congress/SBA can and should make available this vehicle to Community Banks in order that they enable the Community Banks to prudently free up credit and address small business needs that are not being (or cannot be) met by the larger lenders/banks.
4. **Increase the PatriotExpress, SBAExpress, and the Community-Express Programs Loan Limit amounts to \$1,000,000.**
5. **Restore/Revive the NCRC/SBA Community-Express Program** to its previous small-business-friendly and lender-usable parameters which were prior to *SBA Procedural Notices 5000-1013 and 5000-1068* (which notices virtually eliminated most lenders utilization and most small businesses from access to capital through the utilization of this program).
6. **Extend** the provisions of the **ARRA of 2009 Sections 501 & 502** for an additional two years.
7. **Secondary Market Enhancement - Allow the guaranteed portion of SBA-7a loans to be sold by Poolers in pieces/multiple-parts/percentages** similar to that allowed by the USDA-B&I Program Secondary Market Rules.

8. **Bring the SBA-7a Loan Program more in parity with the USDA Business & Industry (B&I) Loan Guarantee Program, but with retention/preservation of the ARRA of 2009 Sections 501 & 502.** This enhancement is consistent with and would additionally compliment and augment the spirit and intent of SBA's existing "*Rural Lender Outreach Program*".

**USDA Business & Industry (B&I) Loan Guarantee Program Highlights:**

**Maximum Loan Amount:** Loan guarantees are limited to a maximum of \$10 million per borrower, although the RBS Administrator can grant up to \$25 million.

**Loan Guarantee Limits:** (Maximum Percentage Applies to the Entire Loan) 80% up to \$5 million; 70% over \$5 million to \$10 million; 60% over \$10 million to \$25 million.

**Maximum Repayment Terms:** Working Capital - 7 years; Machinery and Equipment - 15 years (or useful life); Real Estate - 30 years.

**Fees And Costs:** A one time guarantee fee of 2 percent of the guaranteed principal amount is paid by the lender and may be passed on to the borrower. Other typical lender costs may also be incurred.

**Interest Rate:** Interest rates for loans may be fixed or variable. The rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances. A variable rate must be tied to a nationally published rate. Variable rates cannot be adjusted more than quarterly.

9. The SBA-7(a) loan **Subsidy Recoupment/Prepayment Fee** should be extended to range up to and/or over the first ten years, with the first three year's fee continuing to go to the SBA, as is the current situation, and the fee for the remaining years going to the holder of the note. This would be a substantial enhancement and would assist in reviving and protecting the secondary market purchasers.
10. **Waive or Permanently Eliminate 13 CFR 120.910(a)(1), (2), & (3) and 13 CFR 120.910(b)** relative to **SBA's 504 Economic Development Program**. Return to the original "**10% for all otherwise eligible small businesses**" as the **minimum** equity requirement. These enhancements would certainly improve access to capital to eligible small businesses that could enable them to more easily start new or expand existing businesses or survive through this unprecedented recession; and, would contribute to the preservation of jobs & retention of employees; and, would foster the creation of additional jobs.
11. **Allow the SBA-504 "Interim Project Loan" to be eligible for/under the SBA-7(a) Gty Program.**
12. **Allow Refinancing Same Institution Debt**, that is either on a balloon note or the result would increase the business' cash flow, to be processed by SBA-PLP Lenders **utilizing PLP processing procedures**.
13. SBA lending/underwriting, closing, funding, servicing, and liquidation has become so labor-intensive and complex that the **SBA Loan Packaging Fee** maximum, without itemized/extensive supporting detail, should be **increased to \$5,000**, with the SBA Form 159 continuing to be required.
14. **Structure a grid for charging** the historically-standard/and-future **SBA-7(a) Guarantee Fee**, the **SBA-504 Third Party Lender Fee**, the **monthly on-going 7(a) servicing fee** (currently 55 basis points), and the **monitoring fee(s)** with the thought that defaults, liquidations, guarantee-purchases, charge-offs by SBA, etc. increase the program's expense to SBA & the taxpayer (all of us). Utilizing that perspective, fees would be higher for the lenders with lower scores/grades, (i.e., lender-historical-performance-records would be a part of the grading formula). This would further reward the good lenders (and may increase their participation), encourage the medium-scaled lenders to improve their prudent-lending-standard implementations, and cause the lower-scaled lender's management to notice that their expense is higher and their competitiveness is lower. The high-scaled/graded-lenders should also like this because it should enable them to be more competitive and profitable. Small business entrepreneurs should also like this because they should/could be able to negotiate better loan rates and terms from the higher-scaled lenders because of their lower costs.