

A PRIMER – SBA EXPRESS LOANS 101

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Add to your SBA product mix

Today's SBA Express loan session to include:

- ⑩ Some background, definition & the types of Express loans available
- ⑩ **Benefits and costs of including this product in your mix.**
- ⑩ Participation in the Express programs
- ⑩ **Small loan advantage**
- **SBA loan forms for Express**
including the Express loan authorization
- Management & process
Best practices
- **Collateral**
- ⑩ Equity injection!
...and more...

Some background

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- ⑩ Express started as a pilot program in 1995 & then established as a permanent SBA program, signed into law, on December 8, 2004.



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What IS an Express loan?

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The lower amount of guaranty, 50%, is in exchange for SBA's expedited processing & that lenders may use of *some* of their commercial loan policy.

- ⑩ The “regular” Express loan: up to \$350M at 50% guaranty can be either:
 - ⑩ **A.** Revolving LOC – term of up to 7 years including a term out period
 - ⑩ **B.** Term loan – same maturity guidelines as 7a.

IF your applicant is a potential Express **Term** loan, consider the Small Loan Advantage program!

RECOMMENDATION: *If possible, opt in for the Small Loan Advantage product with a higher guaranty %. (75% and 85%) than Express at 50%.*

TERM ONLY - No RLC's

Take the next step to determine IF the applicant is SLA eligible!!!

BEGIN PRE SCREEN BY UTILIZING E TRAN SLA CREDIT SCORING TEST

IF APPLICANT PASSES CREDIT SCORING, PREPARE CREDIT MEMO

REFER TO SBA INFO NOTICE 5000-1240 & REFER TO THE LATEST SOP 5010

ANY LENDER WITH AN EXECUTED SBA 750 AGREEMENT MAY USE THE SLP PRODUCT.

The credit “box” ...

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FREQUENTLY review your complete credit policy, including the SBA lending portion!

For current regulations, economic conditions, risk tolerance, etc etc

S

Use prudent and generally accepted industry credit analysis processes: be consistent with your non SBA guaranteed commercial loans.

SBA is authorizing Express lenders to make the credit decision.

Credit not elsewhere available....at least for now!



**Clarify what distinguishes a
commercial loan from a
government guaranteed loan.**

Longer term?

Short on collateral for
commercial policy?

No new businesses except with
a guaranty?

How you can build it in

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Various methods to integrate Express:

Express lending can be an introduction to your team members who might not yet be familiar with SBA lending.... most commercial policies are relevant. Set up easy to follow formats, templates, forms for the SBA requirements.

Centralize your lower dollar amount loans, to including commercial and Express. Credit score, if you credit score your commercial loans of that size.

KEY MOTTO: Effectively, profitably, efficiently

Other ideas on Express lending integration...

Determine acceptable profitability & timing.

Review your resource needs for providing this production type of product.

Remember that even those experienced in complex 7a lending may not recognize an Express loan opportunity.

What opportunities might you be missing & why?

How CAN Express loans fit in?



Express product cost may be ONE FOURTH TO ONE HALF the cost to produce a standard 7a loan.

THE SAME REQUIREMENT for ELIGIBILITY holds for all SBA loans, Express, Standard & PLP 7a lending.

...a segue to who does what...ONE of MANY options....

Separate eligibility determination from other job duties?



Build in training for eligibility for all SBA loans for each job duty

More on specifics & definition...

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⑩ Allowable Interest rates:

⑩ \$50M or less, up to Prime plus 6.5%

Over \$50M, up to Prime plus 4.5%

⑩ Guaranty fees - same as 7a loans

⑩ Eligibility - same as 7a loans

More on specifics & definition...

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- ⑩ *E – TRAN submission method is required!*
- ⑩ 7a center cannot review any documents for Express lenders.
- ⑩ Questions can be sent to 7aquestions@sba.gov

- ⑩ All EXPRESS requirements are incorporated into the SOP 5010 E.

An Express Program Guide used to exist (when program was a pilot)

Types of Express products...

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⑩ **PATRIOT EXPRESS!**

Established in 2007

Maximum loan amount of up to \$500M with same guaranty % of 7a at 85% under \$150M & 75% over \$150M

⑩ Interest rate, guaranty fees same as 7a.

And just WHO QUALIFIES for this product?

PATRIOT Express key requirement

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- ⑩ Small business applicant must be owned & controlled by one or more of the following:
 - ⑩ Veteran
 - ⑩ Active-duty military
 - ⑩ Reservist
 - ⑩ National Guard member
 - ⑩ Spouse of any of the above, widow or widower of a service member or veteran who died during service or of a service-connected disability.

More on **PATRIOT EXPRESS**

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- ⑩ Lender must become an approved Express provider **PRIOR** to participating in the **PATRIOT EXPRESS** program.



Export Express

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Established in 1999 as a pilot program & became permanent in 2010.

Up to \$500M maximum loan amount.

90% guaranty for = or <\$350M

75% guaranty for > \$350M

- ⑩ Can include standby letters of credit as an option!
- ⑩ Maturity & maximum interest rates same as Express.
- ⑩ Guaranty fees same as 7a.

Key to Export Express

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- ⑩ Small business applicant must clearly demonstrate (and lender must clearly document) that loan will enable applicant to:
 - ⑩ Enter a new or expand in an existing export market.
 - ⑩ Applicant business must have been in operation for at least 12 months (not necessarily in exporting)

Participating as an Express lender:

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750 agreement, if lender to offer loans 12 months or less, 750 agreement for short term loans

Lenders also execute an Express Supplemental Guaranty Agreement.

For Export Express....

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- ⑩ Executed Export Express Supplemental Guaranty Agreement
- ⑩ The contract between lenders and SBA

Information required for Export Express loans

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- ⑩ See question 8 on form 1919. Applicant to provide an estimate of annual export sales.
- ⑩ For your reference, see SBA info notice 5000-1241 dated 5/25/12.
- ⑩ 1. Applicant to provide: brief description of the business product or service that will be exported
- ⑩ 2. How loan proceeds will enable the business to enter a new export market or expand an existing one
- ⑩ 3. Countries to which business will export
- ⑩ 4. Estimate of export sales for next 12 months after the date of the loan application.

Qualifications – existing SBA lenders:

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- ⑩ Existing SBA lenders must demonstrate that they can effectively process, close, service & liquidate SBA loans.
- ⑩ “Good grades” from SBA reviews...that is:
Satisfactory SBA performance as determined by SBA in its discretion

If new to SBA lending,

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- ⑩ Submit application for SBA loan program participation first then request Express program participation
- ⑩ Must be an approved SBA lender prior to participating in SBA Express program.

Express lender responsibilities

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Do not use Express for complex or unclear issues. Best to submit via standard method.

- ⑩ Increased delegated authority, that is to say, increased responsibility for applicant eligibility screening.

CLEARLY DOCUMENT SBA program ELIGIBILITY!

Same eligibility points as any SBA 7a loan

Example of Express loan scenarios

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⑩ Refinancing may be allowed...but NOT to refinance other SBA loans.

All payments have been current!

⑩ Company Z needs a revolving line of credit instead of a term loan.

Another example...

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⑩ 10% increase in cash flow...

“Small” term loan
refinanced at a lower
interest rate



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Example after example...

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- ⑩ Small (less than \$350M) revolving line of credit needed for working capital
- ⑩ Perhaps a companion loan to a 7a with use of proceeds for equipment purchase.

REASONABLE & PRUDENT

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- ⑩ Given the SBA provides this expedited program opportunity, the lenders must demonstrate clearly that there is a reasonable assurance of repayment!
- ⑩ Utilize generally accepted industry credit analysis, processes and procedures (can include credit scoring if included in conventional, non SBA loans)

Hazard insurance

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- ⑩ Use same standards as used in non SBA loans.
- ⑩ Document reasoning if any variation...e.g. if imposing undue burden on borrower.
- ⑩ Full replacement cost or maximum insurable value
- ⑩ Lender's loss payable clause

IRS tax transcripts

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- ⑩ MUST VERIFY if obtain financial info.
- ⑩ If credit scoring used (as in conventional, non SBA loans) & no financials provided, no verification is required
- ⑩ Compare tax returns provided to you to the transcripts provided to the IRS--- IF financial information used in credit analysis.

SBA Express loan forms...

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SBA form 1919,
Borrower information
form.

Other forms, if
applicable:

Form 4506-T

SBA form 159

Compensation Agreement

SBA form 912

Statement of Personal History

SBA form 601

Compliance Agreement

SBA form 1624 Certification

Regarding Debarment....

REVIEW the SBA form 1919 carefully

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- ⑩ SBA form 912 – when it is required
- ⑩ Verify legal permanent resident status if non US citizen
- ⑩ Race and Ethnicity questions
- ⑩ Signature page...
Representations and Authorizations

Certification as to Accuracy

REQUIRED forms....verify current versions

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- ⑩ SBA form 1920 SX Part B, SUPPLEMENTAL INFORMATION for SBA express, Export Express, Small Loan Advantage, Pilot Loan Programs and PLP Processing
- ⑩ SBA form 1920 SX Part C, ELIGIBILITY Information Required for SBA Express, Export Express, Small Loan Advantage, PLP-CAPLines and Pilot Loan Program (Patriot Express and Dealer Floor Plan) Submissions.

Some suggestions - Best Practices..

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- ⑩ Streamline, Automate
- ⑩ & Standardize
- ⑩ Use conventional non SBA loan policies and procedures whenever allowable.
- ⑩ **Refer to the SOP! 5010 E (as of this date)**
- ⑩ **ASK SBA via email & assemble responses for future reference in similar scenarios**

Folding in the Express loan within your processa key point

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- ⑩ Cross train
- ⑩ Cross train
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- ⑩ Cross train
- ⑩ Cross train



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Collateral discussion...

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“The SBA Express Lender

- ⑩ To the maximum extent practicable, SBA Express lenders can use their own forms, internal credit memoranda, notes, collateral documents, servicing and liquidation documentation. In using their documents and procedures, lenders must follow their established and proven internal procedures used for their similarly sized non-SBA guaranteed commercial loans

No collateral required for Express of \$25,000 or less.

Over \$25,000, utilize same collateral policy as commercial/conventional/non SBA loans

EQUITY INJECTION

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DO NOT CUT
CORNERS ON
EQUITY INJECTION!

10 REASONABLE &
PRUDENT!

THOSE Favorite
words!!!

Utilize
conventional/commercial
1/non SBA loan policy.

....Express loan authorizations...

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UNLIKE other SBA loans, a copy of the loan authorization document is not required to be provided to the borrower.

SBA Submission

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E TRAN! Required submission method & allows lender to obtain immediate SBA loan number!!!



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OVERVIEW QUESTIONS TO CONSIDER:

How do you know what is working?

How are you tracking loans?

How do you know what the various loan parameter requests are, which parameter are approved, & your approval percentage?

What is inside YOUR credit box?

How are you determining efficiency in processing?

How much time does each type of loan cost you?

How are you measuring quality & quantity? What deviations are acceptable?

We all can be reminded to always learn & find ways to be creative

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- ⑩ So then, how DOES this product fit within your lending institution?
- ⑩ What goals are you wanting to achieve?

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In conclusion...KEY POINTS

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***DOCUMENT
ELIGIBILITY
CAREFULLY &
COMPLETELY!***

- ⑩ REASONABLE & PRUDENT!
- ⑩ Other than minimal SBA requirements, do not stray away from your conventional/commercial/non SBA loan policies for other credit issues.

Thank you for tuning in...

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Helping you achieve your SBA lending goals

Loan Administration/Expertise in SBA Lending

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