



SBA Information Notice

TO: All SBA Employees, 7(a) Lenders and
Certified Development Companies

CONTROL NO.: 5000-17029

SUBJECT: SOP 50 10 5(J) Technical
Corrections

EFFECTIVE: December 18, 2017

On October 13, 2017, SBA announced the issuance of Standard Operating Procedure (SOP) 50 10 5(J), *Lender and Development Company Loan Programs*, which becomes effective on January 1, 2018. To give participants in the Lender and Development Company loan programs the opportunity to review and comment on the revised SOP prior to its effective date, SBA also posted the SOP on its website. The Office of Capital Access received and reviewed questions, comments, and recommendations from program participants, other users and SBA personnel, and has determined that certain technical corrections are necessary.

Highlights of the technical corrections include:

Subpart A:

Chapter 3, paragraph II.C – Clarified which changes in CDC personnel require prior SBA approval and which must be reported to OFA no later than 30 days after the change takes place.

Chapter 3, paragraph III.A – Clarified that a Board Member may submit evidence of a federal clearance (e.g., FDIC, OCC, Federal Reserve) from the individual's current employer in lieu of a fingerprint card (FD-258) or Electronic Fingerprint Submission when the Board Member is required to submit SBA Form 1081.

Chapter 3, paragraph III.A – Clarified that a Loan Committee member must submit fingerprints with the completed SBA Form 1081 only if the individual answers "yes" to question numbers 10a, 10b, 10c, 11a, and/or 11b on the SBA Form 1081. In addition, the individual also may submit evidence of a federal clearance (e.g., FDIC, OCC, Federal Reserve) from the individual's current employer in lieu of a fingerprint card (FD-258) or Electronic Fingerprint Submission.

Subpart B:

Chapter 2, paragraph II.D.8 – Clarified the revised franchise procedures concerning, among other things, Applicants that operate under multiple agreements and the procedure for submitting applications involving franchise or similar agreements.

Chapter 2, paragraph II.E – Clarified the guidance concerning the Lender's certification that the Applicant does not have credit available elsewhere on reasonable commercial terms without the SBA guaranty.

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

Chapter 2, paragraph II.H – Clarified the requirements that individuals be either Co-Borrowers or Guarantors in certain change of ownership transactions.

Chapter 2, paragraph III.A.11 – Added examples of supporting documentation necessary in connection with the submission of the Religious Eligibility Worksheet (SBA Form 1971) to determine the eligibility of a business with religious aspects.

Chapter 4, paragraph I.C – Clarified the minimum equity requirements for start-up businesses and change of ownership transactions by providing definitions of “start-up business” and “total project costs.”

Chapter 4, paragraph II.B – Clarified the collateral requirements for 7(a) Small Loans to require a lien on the Applicant’s fixed assets, including real estate, up to the point that the loan is fully secured.

Subpart C:

Chapter 1, paragraph IV.C – Clarified the Borrower’s contribution for Projects involving a Limited or Special Purpose Property. For any business (including affiliates) that has an outstanding debenture for a Project involving a Limited or Special Purpose Property, for each subsequent Project involving a Limited or Special Purpose Property, the borrower must contribute at least 20%.

Chapter 1, paragraph IV.C –The full list of examples of Special Purpose Properties was reinserted, with the exception of “Clubhouses” and “Museums,” which have been removed from the list. Also clarified that SBA may determine that other properties meet the Limited or Special Purpose Property definition set forth in Chapter 1, Paragraph III of Subpart C.

Chapter 1, paragraph IV.C –Clarified that in cases of a Project that will finance both a New Business and a Limited or Special Purpose Property, the number of outstanding debentures for a Project involving a Limited or Special Purpose Property will not increase the percentage of the borrower’s contribution beyond 20%.

Chapter 2, paragraph II.D.8 – Incorporated the same clarifications noted above in Subpart B, Chapter 2 regarding the revised franchise procedures.

Chapter 2, paragraph II.E – Clarified the guidance concerning the CDC’s certification that the Applicant does not have credit available elsewhere on reasonable commercial terms without the SBA guaranty.

Chapter 2, paragraph III.A.11 – Incorporated the same clarifications noted above in Subpart B, Chapter 2 regarding supporting documentation for eligibility determinations for businesses with a religious aspect.

Chapter 7, paragraph I.A – Clarified that, for eligible Energy Public Policy Projects, the outstanding Gross Debentures issued for a small business concern, including its affiliates, may not exceed \$16,500,000 in the aggregate.

In addition to the foregoing, formatting, spelling, grammatical, and punctuation errors were corrected throughout the SOP. All hyperlinks were also revised to redirect to SBA's updated website.

The revised SOP with the technical corrections is posted on SBA's website at www.sba.gov. The SOP contains highlighted text to identify all of the areas where technical corrections were made for the reader's convenience.

Questions and Comments

Questions regarding SOP 50 10 5(J) should be directed to the lender relations specialist in the local SBA field office. The local SBA field office can be found at <https://www.sba.gov/tools/local-assistance/districtoffices>.

Any comments on the SOP should be directed to SOP50-10Modernization@sba.gov.

Any questions or comments on the revised franchise procedures or requests to be added to the franchise directory should be directed to franchise@sba.gov.

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