

Temper the Heat!

What better opportunity to temper the heat of the Federal Regulators by improving your collateral position and the cash flow analysis on your loans by utilizing one of SCKEDD's loan products? As banks place more commercial loans on their books, the loans are being criticized more closely by regulators.

The Office of the Comptroller of Currency (OCC) has determined that many Kansas national banks showed:

- Varying degrees of asset deterioration
- Banks weren't doing a good and thorough job analyzing the cash flows of borrowers and guarantors of the loans
- Many loans lacked "new" appraisals on real estate projects

How would you like to have a strong collateral position, even on start-ups? The 504 and 7(a) programs improve the bank's position drastically. The 504 program will allow the bank to have a 50% loan exposure with a 100% collateral position. The 7(a) program will guaranty your loan up to 85%, lowering your over-all risk.

Our staff has years of hands-on experience in analyzing credits. Our review of historical cash flows and projections double checks the bank's internal review. We look at it with a fresh and unbiased point of view and we know what SBA requires to substantiate a good credit.

Also, did you realize that if you recently placed an interim fixed asset loan it could possibly be converted to a 504?

Please give us a call to discuss how we can help you with a 504 or 7(a)!

(This OCC information was gathered from *The Wichita Eagle*, May 15, 2008, pages 1C and 5C.)

504 APPRAISALS

SBA's 504 Appraisal Requirements have a slight change within the new Standard Operating Agreement [S.O.P. 50 10(5)]. Please note that in addition to the bank, SCKEDD (a Certified Development Company "CDC") must also be listed on the appraisal engagement letter and addressed in the report as one of the intended users of the appraisal.

CONTACT SCKEDD TODAY!

316-262-7035, 800-326-8353, sandy@sckedd.org or rick@sckedd.org

Your SCKEDD 504 Team is:

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*TOPIC for
 Next Issue:
 "Common
 Errors Found
 in Purchase
 Packages"
 continued*

Monthly Rate Corner

504 Rates based on the May 2008 Debenture Sale

| | "Note Rate" | "Effective Rate" (includes fees) |
|---------|-------------|-------------------------------------|
| 10-Year | 5.031% | 6.106% |
| 20-Year | 5.567% | 6.463% |

SBA 7(a) Program

Common Errors Found in Purchase Packages

In the past we have always talked about new loans and loan applications. But, at some point in time, a business may fail and you will ask the SBA to purchase its guaranty.

Here are some common errors that the National Guaranty Processing Center has found with Purchase Packages that may cause a delay in processing:

- There are no tabs or the package is not organized in order of the checklist of authorization. (Note that as of August 1, 2007, the new executed tabs are required. Packages without them will be returned.)
- The transcript is not signed and/or is not in the SBA 1149 format. All transcripts must minimally include the following:

1. SBA Loan name and 10 digit loan number

2. Method used for interest computation (360 days or 365 days)
3. Date and amount of each disbursement
4. Date and amount of payment showing principal and interest applications
5. Date to which interest is paid (which should be the same date payment was received.)
6. Interest rate changes for variable rate loans
7. Next payment due date (defined as the "default date" at which point the interest rate becomes fixed; no changes to the rate should be reflected thereafter)
8. If applicable, amount of Lender's successful bid at foreclosure sale (reflected on the transcript as a credit to the principal balance)

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There will be further discussion of common errors in the next issue of *The Messenger*.

(This information came from a recent issue of *Wisconsin SBA Monthly Newsletter*.)

To add or remove your name from our e-mail list, please contact the *Messenger* editor, Jane Johnson, at jjohnson@sckedd.org.