

SBA 504 Loan Temporary Fee Elimination Update

Back in February, Congress appropriated \$375 million to temporarily eliminate SBA loan fees and NWBDA has helped many local business owners benefit from this. Anticipating that this pool of funds will be exhausted in December, the SBA has announced the dates and procedures for a transition period from this fee waiver program. However, because of the success of this initiative, SBA Administrator Karen Mills and the Obama Administration are working closely with Congress to continue the fee reduction benefits through February 17, 2010. We'll keep you posted on any outcome.

In the meantime, we're in a transition phase that was only announced by SBA yesterday evening.

1. Deals received at SBA by the end of business this Friday, November 20, will be in the batch to approve without SBA fees.
2. Deals received by SBA starting Monday, November 23, can be sent in one of two ways:
 - a. Put in the ARRA queue to approve without SBA fees as any additional amounts may still be available or may become available. (There is always a chance that deals previously approved without fees will be cancelled. This would free up an allotment to apply to a new request in the queue.)
 - b. Approve now with whatever SBA fees are back in effect.

That's the best way to summarize things. At the end of the day the fees shouldn't be a deal breaker especially considering the below market 20 year fixed rate and the down payment being as low as 10%. The two fees that were temporarily eliminated were 0.5% on the bank's 50% LTV portion, and 1.5% on the SBA's up to 40% LTV portion. When you think about it, that's essentially a 1% fee on the amount of the overall financing, and these fees are financed within the loan structure.

If you've got a potential deal in the works, let's keep it moving forward.