

# Newsletter

## FAQs regarding Collateral Assignment of Life Insurance

### SBA 504 Effective Rates for January 2019

25-year - 4.88% / 4.91% Refi ~ 20-year - 4.76% / 4.79% Refi ~ \*10-year - 4.79% / 4.86% Refi

*\*Estimated, as no 10-year loans funded in this pool*

#### **Will I be required to provide an assignment of life insurance as collateral for my loan?**

Life insurance is required for the principals of sole proprietorships, single member LLCs, or for businesses otherwise dependent on one owner's active participation. The amount and type of collateral available to repay the loan may be factored into the determination of the appropriate amount of life insurance.

#### **Can I name NWBDA and SBA as a beneficiary to my life insurance policy?**

NWBDA must obtain a collateral assignment identifying NWBDA and SBA as an assignee on the policy and it must be acknowledged by the Home Office of the Insurance Company. A beneficiary is not acceptable as the policy owner can revoke/change the beneficiary without notification or consent whereas a collateral assignment can only be released by the assignee.

#### **How long must the term of the life insurance be?**

For loans approved on or after January 1, 2018, the term of the life insurance needs to be renewable for the full term of the loan.

For loans approved before January 1, 2018, the term can be less than the full term of the loan. Our policy is the term needs to be for at least half the term of debenture. We do need to obtain SBA approval for a term less than the full term.

If there is an existing policy, please provide us the declaration page as soon as possible so we can determine if the policy has a long enough term.

#### **Will NWBDA accept the pledge of an existing life insurance policy?**

Yes, as long as the above terms remain on the policy.

### What type of life insurance policy is acceptable?

A decreasing term policy is most appropriate. Credit life insurance or whole life insurance policies may not be acceptable.

### Will NWBDA provide the Collateral Assignment form?

Most life insurance companies require their own Collateral Assignment Form. It is best to ask your life insurance agent to provide you with the form.

### How should the Assignee on the Collateral Assignment form read?

U.S. Small Business Admin. & NW Business Development Assoc.  
9019 E. Appleway Blvd., Ste. 200, Spokane Valley, WA 99212

### Can the life insurance policy be released in the future?

SBA will consider the release of the collateral assignment of life insurance as a release of collateral, and it is not typically approved. In order to request a release on a case-by-case basis, a full analysis of the SBA loan, including a financial review and a new appraisal on all collateral pledged will be required.

In addition, an adequate succession plan would need to be documented.

#### **Email Any of NWBDA's Business Development Officers For More Information:**

Eastern Washington/  
Northern Idaho  
**Evan Heriot**  
eheriot@nwbusiness.org

Central Washington  
**Lisa Vincent**  
lvincent@nwbusiness.org

Western Washington  
**Elizabeth Rusnak**  
erusnak@nwbusiness.org  
**Mark Beppler**  
mbeppler@nwbusiness.org

Southwestern Washington/  
North Oregon  
**Jim Bight**  
jbright@nwbusiness.org  
**Mike Miller**  
mmiller@nwbusiness.org

Follow us on Twitter!



@NorthwestBDA

**Happy Retirement to  
Elizabeth Stevens.  
Good luck on your  
future endeavors.**



info@nwbusiness.org  
www.nwbusiness.org

(509) 458-8555  
(800) 540-1748 (Toll Free)

Northwest's Premier SBA 504 Lending Partner