

Newsletter

SBA's Reinstatement of the Personal Resource Test

SBA 504 Effective Rates for March 2020

25-year - 2.88% / 2.88% Refi ~ 20-year - 2.81% / 2.81% Refi ~ 10-year - 2.85% / 2.85% Refi

SBA has reinstated the Personal Resources Test for 504 and 7(a) Loan Programs to aid SBA Lenders in determining whether an Applicant has access to 'credit elsewhere'. This test will go into effect on March 11, 2020. SBA is making the following changes to the former personal resources test from 2014:

- Defining the owner of 20 percent or more as an individual or entity.
- Increasing the thresholds for when liquid assets must be injected, particularly for smaller loans.
- Permitting exceptions in extraordinary circumstances. For example: when excess funds are needed for immediate medical expenses of a family member.
- The cash value of life insurance policies is excluded as a liquid asset.

Personal Resources Test

An applicant for a business loan must show that the desired funds are not available from the personal resources of any individual or entity owning 20 percent or more of the applicant business. SBA will require the use of liquid assets from any such owner as an injection to reduce the SBA loan amount when the owner's liquid assets exceed the amounts as specified below:

When the *total financing package is under \$350,000:

Each 20% owner of the Applicant must inject any **liquid assets that are in excess of two times the total financing package, or \$500,000, whichever is greater.

When the *total financing package is \$350,001 - \$1,000,000:

Each 20% owner of the Applicant must inject any **liquid assets that are in excess of two times the total financing package, or \$1,000,000, whichever is greater.

When the *total financing package exceeds \$1,000,000:

Each 20% owner of the Applicant must inject any **liquid assets that are in excess of two times the total financing package, or \$2,500,000, whichever is greater.

**Total Financing Package is any SBA loans and any other financing, including loans from any other source, requested by the Applicant business at or about the same time.*

***Liquid assets refers to cash, savings accounts, CDs, stocks, bonds, or other similar assets*

This is just for your information only. Your Business Development Officer will be taking care of the test and determining credit elsewhere. This will not affect the majority of borrowers.

SBA Tip: An appraisal must be submitted to SBA with the original application (not after loan approval) when equity in land owned for 2 or more years is being contributed as part of the borrower contribution or when the transaction is not arms-length.

Emerging Leaders

**Grow your business • Create jobs
Strengthen your community**

The **SBA Emerging Leaders** initiative provides free entrepreneurship education and training for executives of small, poised-for-growth companies that are potential job creators. This intensive executive entrepreneurship series includes nearly 100 hours of classroom time.

It also provides opportunities for small business owners to work with experienced coaches and mentors, attend workshops, and develop connections with their peers, local leaders, and the financial community.

If you know of an small business owner that would benefit from the Emerging Leaders class, you can direct them to: <https://www.sba.gov/about-sba/organization/sba-initiatives>

February's Loan Fundings

NWBDA funded **3** new projects for the total amount of **\$4,154,550.00**

February's Loan Approvals

NWBDA approved **9** new projects for the total amount of **\$29,973,836.00**

In the month of February, NWBDA helped **create 22 new jobs** in the local communities

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