

Newsletter

New SBA 504 Rule Makes Loans Easier to Acquire!

SBA 504 Effective Rates for May 2023

25-year - 6.03% / 6.04% Refi ~ 20-year - 6.08% / 6.10% Refi ~ 10-year - 6.05% / 6.08% Refi

The Small Business Administration (SBA) released their final rule on April 11, 2023. This rule includes eligibility and procedural changes that make SBA 504 financing even more available to small businesses. The SBA aims to make SBA 504 loans more obtainable by relaxing eligibility criteria, reducing required documentation and implementing an updated credit policy.

These program changes became effective on May 11, 2023. The changes are subject to SBA's release of guidance and procedural notices.

Summary of SBA's Program Changes:

1. Removal of the Franchise Directory: SBA will no longer publish the SBA Franchise Directory. Additionally, the Franchise Addendum form 2462 and the Negotiated Addenda will be eliminated. The franchises will instead be examined by the Certified Development Company (NWBDA is a Certified Development Company).

2. Simplified Affiliation Rules:

Ownership Affiliation: Affiliation will now be generally defined as 50% ownership in another entity with similar NAICS code prefix, which will greatly reduce affiliation by ownership situations.

Management Affiliation: The decision to hire a management company is now the sole responsibility of the independent business owner(s). SBA is removing this rule including the principle of control of one entity over another.

Identity of Interest Affiliation: SBA is no longer requiring close relatives (other than spouses and adult children to provide financial statements when they aren't principals of the business, as it was deemed an unfair requirement.

3. Reduced factors for determining creditworthiness: SBA has reduced its factors for determining creditworthiness and reasonable assurance of repayment from 9 requirements to 3 requirements. The 3 requirements are:

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- The credit score or history of the applicant, its associates, and its guarantors
 - Earnings or cash flow of the applicant
 - Equity or collateral of the applicant, as applicable
4. **A Project must create or retain one Job Opportunity per \$90,000 guaranteed by SBA.** This is an increase from \$75,000.
- A Project for a small manufacturer **or** a Project that meets an energy public policy goal must create or retain one Job Opportunity per \$140,000 guaranteed by SBA. This is an increase from \$120,000. Additionally, energy public policy projects are now included.

All the final rule summary information above is subject to full pending SBA implementation guidance, which includes required regulations, notices, and revised forms. The guidance surrounding NWBDA's ability to implement the new regulatory changes is still being finalized.

Please reach out to one of our Business Development Officers for the most up to date information and for any questions.

April's Loan Fundings

NWBDA funded **8** new projects for a total amount of **\$25,434,123**

April's Loan Approvals

NWBDA approved **3** new projects for a total amount of **\$1,271,550**

In the month of April, NWBDA helped **create 32 new jobs** in its local communities

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