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Business Lending News

**JRB eALERT!**  
**SBA REVISES SOP 50 10 5 (F) –**  
**STREAMLINES PROCESSES,**  
**LOOSENS REINS ON 7(a) LOANS \$350,000 OR LESS**

The buzz has been around for days. Now the SBA's official word is out. In its ongoing initiative to stimulate lending for SBA Small Loans\* the Agency has issued [Procedural Notice 5000-1314](#), Loan Program Credit Scores, dated June 12, 2014. Effective July 1, 2014, the SBA has updated SOP, 50 10 5 (F). The updated SOP streamlines processes and procedures applicable to credit standards in an effort to put more funds into the hands of business owners.

While the SBA is working to make things easier for small businesses, the underwriting criteria have changed in important ways. The updated SOP contains a cautionary note for all SBA lenders. In a nutshell: Prudent underwriting is more essential than ever. Here's a partial excerpt from the updated SOP that we believe is most critical:

**"Replace Subpart B, Chapter 4, Paragraph I.A. with:**

**"A. Credit Standards(13 CFR §120.150)**

"Lenders must analyze each application in a commercially reasonable manner, consistent with prudent lending standards. The cash flow of the Small Business Applicant is the primary source of repayment, not the liquidation of collateral. Thus, if the lender's financial analysis demonstrates that the Small Business Applicant lacks reasonable assurance of repayment in a timely manner from the cash flow of the business, the loan request must be declined, regardless of the collateral available or outside sources of cash."

This excerpt is the last paragraph on page one of SBA [Procedural Notice 5000-1314](#). The updated SOP will be available on the SBA's [website](#). I encourage you to review it in its entirety before the July 1 effective date.

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