



**Billing Code: 8025-01**

## **SMALL BUSINESS ADMINISTRATION**

### **13 CFR Part 120**

#### **Express Bridge Loan Pilot Program; Modification of Lending Criteria**

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Notification of Express Bridge Loan Pilot Program and impact on regulatory provision.

**SUMMARY:** The U.S. Small Business Administration (SBA) announces SBA's Express Bridge Loan Pilot Program (Express Bridge Pilot), as described in this document, and its impact on an Agency regulation relating to loan underwriting for loans made under the Express Bridge Pilot. This pilot will provide expedited guaranteed bridge loan financing for disaster-related purposes to small businesses located in communities impacted by a Presidentially-declared disaster, while those small businesses apply for and await long-term financing (including through SBA's direct disaster loan program, if eligible). The modification of the lending criteria will minimize the burden on businesses applying for loans through the Express Bridge Pilot and provide an incentive for SBA Express lenders to participate in the pilot.

**DATES:** The Express Bridge Pilot, including the modification of lending criteria under 13 CFR 120.150, will be available from October 16, 2017, through September 30, 2020.

**FOR FURTHER INFORMATION CONTACT:** Dianna Seaborn, Director, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street, S.W., Washington, D.C. 20416; Telephone (202) 205-3645; email address: [dianna.seaborn@sba.gov](mailto:dianna.seaborn@sba.gov).

**SUPPLEMENTARY INFORMATION:** Pursuant to its authority under the Small Business Act, SBA provides assistance to small businesses located in the communities affected by Presidentially-declared disasters. The Agency has announced an initiative called the Express Bridge Pilot, which is designed to supplement the Agency's disaster response capabilities. The Express Bridge Pilot will authorize the Agency's 7(a) Lenders with SBA Express lending authority to deliver expedited SBA-guaranteed financing on an emergency basis for disaster-related purposes to small businesses located in these communities while the businesses apply for and await long-term financing (including through SBA's direct disaster loan program, if eligible).

The Express Bridge Pilot will apply the policies and procedures in place for the Agency's SBA Express program, except as outlined in this document, and include the following:

- (1) The maximum loan amount under the pilot is \$25,000 and the loans will carry a 50 percent guaranty from the Agency.
- (2) Express Bridge Pilot loans in a particular disaster area can only be made by SBA Express lenders that were participants in the SBA Express program as of the date of the applicable disaster.
- (3) Eligible small businesses are those that were located, as of the date of the applicable disaster, in the counties that have been Presidentially-declared as disaster areas, plus any contiguous counties.
- (4) SBA Express lenders may make loans under the Express Bridge Pilot only to eligible small businesses that had an existing banking relationship with the SBA Express

lender as of the date of the applicable disaster. A relationship with any of the SBA Express lender's affiliates will not satisfy this requirement.

(5) SBA Express lenders must certify to SBA, for each Express Bridge Pilot loan, that the loan funds will be used to support the survival and/or reopening of the small business within the affected counties.

(6) The maximum maturity for an Express Bridge Pilot loan is seven years. The SBA Express lender may require a borrower to pay down or pay off the Express Bridge Pilot loan if the borrower is approved for long-term disaster financing (including an SBA direct disaster loan) that allows proceeds to be used for Express Bridge Pilot loan reimbursement.

(7) Express Bridge Pilot loans cannot be sold in SBA's secondary market. Express Bridge Pilot loans are intended to be interim loans, thus SBA has determined pursuant to 13 CFR 120.612(a)(3) that the sale of such loans in SBA's secondary market would not be conducive to the successful operation of the secondary market program.

(8) Loans under the Express Bridge Pilot in a particular disaster area can only be made up to six months after the date of the applicable Presidential disaster declaration.

(9) The Express Bridge Pilot will be available for use starting October 16, 2017, and will expire on September 30, 2020. Express Bridge Pilot loans must be approved on or before such date, as evidenced by the issuance of an SBA loan number.

To maximize the effectiveness of the Express Bridge Pilot, SBA is modifying an Agency regulation (13 CFR 120.150) that applies to loans made in the 7(a) Business Loan Program. (SBA uses the term "modify" as contemplated under 13 CFR 120.3.) This modification will also minimize the burdens on the businesses applying for loans

through the Express Bridge Pilot and expand the opportunities for SBA Express lenders to participate in the pilot.

Under § 120.150 of SBA's regulations, a small business applicant must be creditworthy and loans must be so sound as to reasonably assure repayment. In making this determination, character, reputation, credit history of the applicant and guarantors, past earnings, projected cash flow, and future prospects, among other things, must be considered. Currently, SBA Express lenders are authorized to make the credit decision using credit analysis processes and procedures (which may include credit scoring) that are consistent with those used for their similarly-sized non-SBA guaranteed commercial loans.

In order to streamline the loan underwriting process for the Express Bridge Pilot, SBA is modifying the requirements of 13 CFR 120.150 to allow SBA Express lenders to underwrite Express Bridge Pilot loans by considering only the following:

(1) a minimum acceptable credit score of 130 for the applicant issued by E-Tran upon submission of the loan application for screening;

(2) a personal credit score for each guarantor; and

(3) Lender must obtain a signed IRS Form 4506-T and an IRS tax transcript. For businesses in operation prior to the disaster but not long enough to have been required to file a tax return, Lender must provide an alternative to verify existence of the business.

The screening credit score is a FICO® Small Business Scoring Service<sup>SM</sup> Score. SBA may adjust the minimum acceptable credit score up or down from time to time during the pilot, and will post any such adjusted score on its website at [www.sba.gov/for-lenders](http://www.sba.gov/for-lenders).

The modification of this regulation will allow SBA Express lenders to expedite the processing of these small guaranteed loans in order to provide immediate cash to assist the small business with rebuilding and continuing or restarting its operations while awaiting long-term disaster financing. Because an Express Bridge Pilot loan applicant must have had an existing banking relationship with the SBA Express lender, SBA expects this will help mitigate the risk associated with the modification of 13 CFR 120.150. SBA Express lenders are cautioned that the provisions of 13 CFR 120.140 (“What ethical requirements apply to participants?”) continue to apply to the Express Bridge Pilot.

SBA’s modification of 13 CFR 120.150 is authorized by 13 CFR 120.3 of its regulations, which provides that the SBA Administrator may suspend, modify or waive rules for a limited period of time to test new programs or ideas. This modification applies only to those loans made under the Express Bridge Pilot and will last only for the duration of the pilot, which expires September 30, 2020. As part of the Express Bridge Pilot, this modification applies only to those small businesses that were located, as of the date of the applicable disaster, in counties that have been Presidentially-declared as disaster areas, plus any contiguous counties. A listing of Presidentially-declared disaster declarations, including primary and contiguous counties can be located at [www.sba.gov/disaster](http://www.sba.gov/disaster).

Not more than ten percent of the total number of 7(a) loans guaranteed by SBA in any fiscal year may be made under the Express Bridge Pilot. 15 U.S.C. 636(a)(25). While SBA does not expect the number of Express Bridge Pilot loans to reach that limit, SBA will provide public notice of the need to suspend lending under the pilot for the

remainder of the fiscal year if SBA determines that the number of pilot loans is approaching the limit.

SBA will be using the following criteria to evaluate the Express Bridge Pilot to determine how well it is achieving its objectives and other aspects of performance: (1) the measurable objectives to be achieved through the Express Bridge Pilot, including the number of small business concerns served, the percentage of Express Bridge Pilot loans made that were paid off or paid down using lower fixed rate disaster loans versus those that are held to term, and the default rate on the Express Bridge Pilot loans compared to regular SBA Express loans of similar size in the 7(a) portfolio; and (2) the costs and standards of performance which, in order to be acceptable, must not impact the subsidy model for the 7(a) Loan Program. The following method for data collection will be used: all loans will be entered directly using E-Tran or SBA One, which track eligibility by the county in which the small business is located, and which will facilitate tracking of performance on these loans.

**Authority:** 15 U.S.C. 636(a)(25); 13 CFR 120.3.

Dated: October 6, 2017.

**Linda E. McMahon,**  
*Administrator*

[FR Doc. 2017-22385 Filed: 10/13/2017 8:45 am; Publication Date: 10/16/2017]