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SMALL BUSINESS ADMINISTRATION

13 CFR Part 108

Loans to State and Local Development Companies Accredited Lenders Program for Certified Development Companies

AGENCY: Small Business Administration (SBA).

ACTION: Final rule.

SUMMARY: On October 22, 1994, the President signed Public Law 103-403, The Small Business Administration Amendments Act of 1994. Section 212 of that act added a new section 507 of the Small Business Investment act, 15 U.S.C. 695 et seq. That new section authorizes the Small Business Administration (SBA) to establish an Accredited Lenders Program. This final rule, published in accordance with Public Law 103-403, implements this new program.

EFFECTIVE DATE: This rule is effective on April 26, 1995.

FOR FURTHER INFORMATION CONTACT: LeAnn Oliver, Acting Director, Office of Rural Affairs and Economic Development Small Business Administration, 409 3rd Street S.W., Suite 8300 Washington, D.C. 20416, 202-205-6485.

SUPPLEMENTARY INFORMATION: Public Law 103-403, enacted October 22, 1994, required SBA to establish an Accredited Lenders Program for Certified Development Companies, which provides for expedited processing of loan applications and servicing actions by SBA field offices for qualified development companies. The Accredited Lender Program (ALP) is intended to build upon the successful Certified Lenders Program (CLP) for the SBA's General Business Loan program and the pilot Accredited Lenders Program for Certified Development

Companies which has been administered by SBA since 1991.

During 1991, SBA established an "Accredited Lender Program" for Certified Development Companies (CDCs) on a demonstration program basis with selected development companies through the United States. During the Demonstration program, SBA Field Offices worked with the selected development companies to expedite processing of requests for guarantee approval and servicing actions submitted by them. The program was premised upon rewarding CDCs which have developed a good partnership with their SBA Field Office in promoting local economic development and have demonstrated a good track record in the submission of documentation needed for making and servicing of sound loans. The positive experience of the demonstration program led to its statutory authorization which makes the Accredited Lender Program a permanent tool for the improvement of the program.

The concept of the ALP demonstration program was based on a similar program developed for lenders participating with the SBA 7(a) General Business Loan program (CLP) which has also been authorized by statute. Under that program, CLP lenders are required to submit a complete loan package as well as a draft loan authorization ready for SBA review of eligibility, credit analysis and legal sufficiency. In consideration for the receipt of a completed loan application package, SBA agrees to issue an approved loan authorization to a CLP lender within three working days.

Similar to the CLP lender in the General Business Loan program, under these regulations if adopted in final form, an ALP-CDC will be required to submit complete loan applications and draft loan authorizations to SBA in order to expedite SBA's review of eligibility, credit analysis and legal sufficiency and enable SBA to quickly authorize a guaranty; and completely documented requests for a loan servicing action which will enable SBA to expedite processing of such a request. In exchange SBA will agree to provide three business day processing for such submissions. Notwithstanding a requester's ALP status, SBA will retain the right to reject incomplete packages or requests, thereby denying ALP

consideration to individual actions on a case by case basis.

In order to attain ALP status a CDC will be required to meet minimum standards with regard to lending activity and demonstrated proficiency in quality of its loan packaging, closing and servicing. An ALP-CDC and an SBA field office will function as a team for purposes of the ALP program. SBA's agreement to expedite approval of loans and servicing actions will be premised upon the SBA confidence in the judgment and quality of work of the ALP-CDC which is based upon a good relationship and good communication between the SBA field office and ALP-CDC staffs.

In that regard, under these regulations, if adopted, SBA field offices will nominate CDCs for ALP status. SBA's Director of Economic Development and Rural Affairs will be the deciding official for admission to the program and for suspension or revocation of the status of a company once admitted. Criteria for nomination which are expressed in the proposed regulations reflect the intent that only successful CDCs which demonstrate a high degree of program proficiency will attain ALP status. ALP status will be granted for periods of two years and will be renewable based on request by the CDC and favorable review by SBA.

Compliance With Executive Orders 12612, 12778, and 12866, the Regulatory Flexibility Act and the Paperwork Reduction Act

For purposes of the Regulatory Flexibility Act, 5 U.S.C. 601 et seq., SBA certifies that this rule will not have a significant economic impact on a substantial number of small entities.

SBA certifies that this rule will not constitute a significant regulatory action for purposes of Executive Order 12866, since the change is not likely to result in an annual effect on the economy of \$100 million or more.

SBA certifies that this rule will not impose additional reporting or recordkeeping requirements which would be subject to the Paperwork Reduction Act, 44 U.S.C. Ch. 35.

SBA certifies that this rule will not have Federalism implications warranting the preparation of a Federalism Assessment in accordance with Executive Order 12612.

SBA certifies that this rule is drafted, to the extent practicable, in accordance