



News Release

PRESS OFFICE

Release Date: June 24, 2010

Release Number: 10-37

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New First Mortgage Loan Poolers Will Jump-Start Secondary Market for SBA 504 Loans, Make Credit More Available

WASHINGTON – The U.S. Small Business Administration today announced the first nine loan pool originators authorized by the agency to assemble and sell pools of 504 program first mortgage loans, a major step to jump-starting a secondary market that should make fixed asset financing more widely available for small businesses.

The new program was approved under the American Recovery and Reinvestment Act.

Prior to the recent disruption in the credit market, a private secondary market for these loans existed, but has not revived as the economy has started to rebound. SBA expects this new program to breathe new life into that secondary market and improve access to credit for small businesses by providing a resource that can help boost liquidity to small business lenders.

“With the resources provided in the Recovery Act, we have engineered a turnaround in its SBA lending, putting nearly \$30 billion in the hands of small businesses across the country,” said SBA Administrator Karen Mills. “This added support now to re-launch the 504 first mortgage secondary market builds on that success and will help leverage even more capital for small businesses to support their growth and create new jobs.”

Under the program, the SBA will provide a government guarantee on pools of portions of eligible 504 first mortgage loans assembled by approved pool originators to be sold to third-party investors. Lenders will retain at least 15 percent of each individual loan, pool originators will assume 5 percent of the risk, and the SBA will guarantee the remaining 80 percent.

Typically, a 504 project includes three elements: a loan (or first mortgage) secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a second mortgage secured with a junior lien from a Certified Development Company (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business borrower.

Under the new program, portions of the senior liens are pooled by pool originators and sold to investors in the secondary market. To be eligible to be included in a pool, the first mortgage must be associated with a 504 loan disbursed on or after February 17, 2009. The program will be in place until February 16, 2011, or until \$3 billion in new pools are created, whichever occurs first.

The pool originators approved so far are:

- Bank of America, N. A. of New York, New York
- Cantor Fitzgerald & Co. of New York, New York
- Citizens Bank of Elizabethton, Tennessee
- Coastal Securities, Inc. of Houston, Texas
- Community South Bank of Knoxville, Tennessee
- Fidelity Bank of Covington, Georgia
- Meadows Bank of Las Vegas, Nevada
- Morgan Stanley Bank, N.A. of Salt Lake City, Utah
- Voyager Bank of Eden Prairie, Minnesota

For additional information on the pool originators, visit <http://www.sba.gov/aboutsba/sbaprograms/elending/secondarymarket/index.html>. The list will be updated regularly as new originators are approved.

For more information about all of the SBA's programs for small businesses visit the SBA's Web site at <http://www.sba.gov>.

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