

Local Economic Area Expansion (LEA) Requirements Guide

This Guide is not intended to replace the applicable SBA rules, regulations and policies. If a conflict should arise between this Guide and applicable SBA rules, regulations and policies, the applicable SBA rules, regulations and policies shall prevail.

The CDC's request should include the following:

- 1) A list of the requested area(s) (e.g., a county, parish, incorporated city) in the contiguous state and information: (i) supporting how those area(s) meet the definition of a Local Economic Area (13 CFR §120.802, Definitions); (ii) showing that the proposed expansion area is part of a Metropolitan Statistical Area (MSA); or (iii) providing a copy of the approval of the proposed expansion area as a local trade area by the 504 Loan Program Branch.
- 2) A certified copy of the Resolution of the Board of Directors approving the proposed expansion; and either copies of any required changes to the Articles of Incorporation and Bylaws, or a statement that no changes are necessary.

CDCs may have to register as a "foreign corporation" in the state which contains the new territory and must provide evidence of such registration to SBA.

- 3) An evaluation of the CDC staff's credit analysis abilities as well as knowledge of SBA's policies and procedures. Staff listing, including verification that the CDC's employees are either hired directly by the CDC or under a contract approved by SBA. A copy of the contract(s) must be provided including any management waivers. Copies of all contracts with consultants providing management, marketing, packaging, processing, closing, servicing, or liquidation must comply with the regulations governing contracts (13 CFR §120.824).
- 4) A summary of the qualifications and experience of any new professional staff who will be responsible for marketing, packaging, processing, closing, servicing, and if applicable, liquidating the loans in the expanded area as well as a complete SBA Form 1081, signed and dated within 90 days of submission to SBA, and a fingerprint card or Electronic Fingerprint Submission for each person. If the new employees will be provided under contract, submit a contract for their services that meets the regulations governing contracts (13 CFR §120.824).
- 5) A listing of:
 - i. the Board of Directors (include name and address of the entity represented and the area of expertise as required by 13 CFR§120.823),
 - ii. the Executive Committee, if applicable, and
 - iii. the Loan Committee with Form 1081 and either fingerprint cards or Electronic Fingerprint Submission.

- 6) A certificate from the CDC's insurance carrier evidencing Directors' and Officers' Liability Insurance and Errors and Omissions Insurance in amounts required by SBA.
- 7) The CDC's attorney is to provide a written statement certifying that the CDC is operating in compliance with its articles and by-laws and is in good standing with its State of incorporation.
- 8) Documentation showing that the CDC currently meets the requirements of an ALP CDC. (This includes those CDCs that are ALP CDCs already.) (13 CFR §120.840 & §120.841, Qualifications for the ALP).
- 9) The CDC must identify their SBA-approved Designated Attorney who is licensed to practice in the proposed expansion area including current evidence of Professional Liability Insurance coverage, for all attorneys, with:
 - i. Limits of at least \$1,000,000/\$1,000,000; and
 - ii. A deductible not to exceed:
 - (a) \$20,000 for individuals and firms with 3 or fewer attorneys;
 - (b) \$50,000 for law firms with more than 3 attorneys; or
 - (c) \$100,000 for large law firms with more than 25 attorneys.
- 10) A copy of the CDC's most recently published OCRM Risk Rating report that contains:
 - Past Due Rate
 - Liquidation Rate
 - Actual Purchase Rate (past 12 months)
 - In Catch-Up Rate
 - SBPS Score Average.
 - Risk Rating
- 11) A copy of the results of the most recent OCRM Risk Based Reviews (RBR) or other OCRM assessments.

Action by the Lead SBA Office

If the Lead SBA Office determines that the CDC LEA application is incomplete, it should inform the CDC in writing, identifying the information missing from the application. If the Lead SBA Office determines that the CDC application is complete, it makes a recommendation to approve or decline the request. If the District Office declines the request, a letter outlining the reasons for decline and the CDC's rights of appeal must be sent to the CDC with a copy to the D/FA. The CDC has 60 days to appeal the decline to the Lead SBA Office for action by the D/FA.

If the District Office recommends approval, it should forward the CDC's LEA application along with its analysis to the Chief, 504 Program Branch, Office of Financial Assistance within 10 business days of receipt of the complete application. The District Office recommendation for a LEA request should be in the form of a memorandum signed by the Lead Lender Relations Specialist or equivalent, the District Counsel, and the District Director and should be directed to the Director, Loan Programs Division, Office of Financial Assistance.

(Revised 4/17/15)