

Multi-State Expansion Requirements Guide

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

1) The CDC must apply to the SBA District Office servicing the area within the state into which the CDC proposes to locate its principal office if the expansion is approved (“new state”). The request must include:

- (a) Evidence that the new state is contiguous to the state of its incorporation (13 CFR §120.802, Definitions). Note: CDCs may have to register as a “foreign corporation” in the new state and provide evidence of such registration to SBA.
- (b) The proposed address of the CDC’s principal office in the new state and a copy of the proposed lease if the space is to be leased (13 CFR §120.835(c).)
- (c) A certified copy of the Resolution of the Board of Directors (BOD) approving the expansion; and either certified copies of any required changes to the Articles of Incorporation and Bylaws or a statement that no changes are required.
- (d) A staff listing to include verification that the CDC’s employees are either hired directly by the CDC or are under a contract that has been approved by SBA. A copy of any contract(s) must be provided as well as copies of any approved management waivers.

A summary of the qualifications and experience of any new professional staff responsible for marketing, packaging, processing, closing, servicing, and if applicable, liquidating the loans in the expanded area as well as a complete 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 the services that meets the regulations governing contracts (13 CFR §120.824).

- (e) 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;
 - iii. the Loan Committee (in their state of incorporation), if applicable; and
 - iv. the Loan Committee for the proposed new multi-state area that complies with the requirements of 13 CFR §120.823. (§120.835(c)(2)) along with 1081s and with either fingerprint cards or Electronic Fingerprint Submission
- (f) A certificate from the CDC’s insurance carrier evidencing Directors’ and Officers’ Liability Insurance and Errors and Omissions Insurance in amounts required by SBA.
- (g) A written statement from the CDC’s attorney certifying that the CDC is operating in compliance with its Articles and Bylaws and is in good standing in its State of incorporation.

Requirements for Multi-state Expansion Requests (continued)

- (h) Evidence that the CDC currently meets the requirements of an ALP CDC. (This includes those CDCs that are ALP CDCs already.) (13 CFR §120.840 and §120.841, Qualifications for the ALP)
 - i. CDC has required, experienced staff.
 - ii. At least 20 applications have been approved in the past 3 years.
 - iii. At least 30 active loans in CDC's portfolio.
 - iv. CDC has had satisfactory reviews within the last 24 months and satisfactory performance as determined by SBA.
 - v. CDC is in compliance with 504 Loan Program Requirements.
 - (i) The name of the CDC's SBA-approved Designated Attorney and an SBA-approved Designated Attorney licensed to practice in the new state along with current evidence of professional malpractice insurance coverage, for all attorneys, with:
 - i. Limits of at least \$1,000,000/\$1,000,000; and
 - ii. A deductible not to exceed:
 - (1) \$ 20,000 for individuals and firms with 3 or fewer attorneys,
 - (2) \$ 50,000 for law firms with more than 3 attorneys, or
 - (3) \$100,000 for large law firms with more than 25 attorneys.
 - (j) 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
 - (k) A copy of the results of the most recent OCRM Risk-Based Reviews (RBR) or other OCRM assessments.
- (2) The SBA District Office must review the application and provide the following to Headquarters:
- (a) Comments on any previous experience with the applicant, including the CDC's ability to handle an increase in loan servicing activity including on-site servicing of an expanded geographic area.
 - (b) Comments indicating whether any new Professional Services Contracts comply with SBA regulations (13 CFR §120.824).
 - (c) Comments from other SBA District Offices that have dealings with the applicant, including the Processing and Servicing Centers. (13 CFR §120.837)
 - (d) Any other pertinent comments regarding the CDC's operations.

Requirements for Multi-state Expansion Requests (continued)

- (3) CDC acknowledges that Multi-State CDCs must maintain a separate accounting for each State of all 504 fee income and expenses and provide, upon SBA's request, evidence that the funds resulting from its Multi-State CDC operations are being invested in economic development activities in each State in which it operates (13 CFR §120.825).

If the District Office determines that the CDC is in compliance with SBA's Loan Program Requirements governing CDCs, including the timely submission of all annual reports, it must forward the CDC's application along with its analysis and recommendation to the Director, Loan Programs Division, Office of Financial Assistance. If the District Office determines that the CDC is not in compliance with SBA's regulations and policies governing CDCs, the application must be returned to the CDC identifying the outstanding issues to give the CDC an opportunity to respond and comply with SBA's requirements.

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