



LaNor Warby

This is a Comment on the **Comptroller of the Currency (OCC) Proposed Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction**

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Comment

I would like to support the proposed rule that SBA 504 loans be exempt from HVADC status. These construction loans are to owner occupied businesses that do not rely on the sale or income of the property. The risk characteristics of these businesses are substantially different. For example the usual acquisition and development loans generally rely on the sale of the property as a source of repayment. The SBA 504 loans have long term financing in place before the construction loan is advanced. When the SBA 504 loans are funded the LTV exposure to the Bank is substantially reduced, usually to about 50% LTV. The source of repayment is underwritten on the business income and as such is not subject to the volatility in the real estate markets. In addition these loan are subject to SBA requirements to meet economic development goals in the communities where the business operate, thus building local communities. SBA 504 loans are an important tool to build rural communities. To summarize, SBA 504 loans provide an important tool for community Banks to help businesses expand and purchase real estate assets to expand and develop. They are not subject to the same real estate risks associated from loans that relies on the sale or income from the property. As the risk characteristics are much different from those associated with CRE type projects they should not be included in HVADC classification.