

Lending experts and stakeholders convened in San Antonio to present recent changes and opportunities in U.S. Small Business Administration (SBA) hotel lending.



When it comes to funding hotel development, the U.S. Small Business Administration's 504 and 7(a) loan programs are among the most rewarding and the most challenging. The National Association of Government Guaranteed Lenders (NAGGL) SBA Lending Technical Conference was recently held at the Grand Hyatt Hotel in San Antonio, and these SBA loans took center stage.

## SBA Loans Focus on the Underserved

The SBA has honed its focus on improving programs that create business opportunities for entrepreneurs in underserved communities. Its recently introduced Small Loan Advantage and Community Advantage programs will offer a streamlined application process for SBA-guaranteed 7(a) loans up to \$250,000. These loans will come with the regular 7(a) government guarantee, 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000. Both programs are designed to streamline current lending procedures, making it simpler to process loan decisions without delay.

Throughout the NAGGL conference, financial professionals shared ways to increase outreach to creditworthy entrepreneurs who may be having difficulty accessing credit. Rich Bradshaw (United Community Bank), Chris Ledesma (Wells Fargo) and Eduardo Sosa (Commerce National Bank) shared best practices and tips for gaining support from a variety of SBA lending institutions.



U.S. Hotel Appraisals' Russ Rivard, MAI (left) and David Bone

## SOP 50 10 5(H) – Helping Make Hotel Loans More Secure

On May 1, the SBA issued revised appraisal policies for change-in-ownership transactions involving special-purpose properties. Under SOP 50 10 5(H), a special-purpose property is defined as a "limited-market property with a unique physical design, special construction materials, or a layout that restricts its utility to the specific use for which it was built," largely conforming to the definition found in the Dictionary of Real Estate Appraisal, 5th Edition. Examples include hotels, car washes, gas stations, golf courses, medical facilities, and bowling alleys. Among the important changes affecting hoteliers, the SBA has revised requirements for business valuation credentials.

The policy changes respond to concerns expressed by congressional oversight committees, the Appraisal Institute, and banking and real estate trade organizations regarding a 2014 policy change that complicated financing for special-purpose properties.

The revised policies are designed to provide security for special-purpose property investments by ensuring that a qualified appraiser has inspected the property, analyzed all relevant data, and produced a credible value conclusion. The new policies apply in cases where a loan financing the acquisition of a property is more than \$250,000, or when there is a close, non-arm's-length relationship between buyer and seller.

In either case, a lender on, for example, a limited-service hotel project must obtain an independent appraisal performed by a certified general real property appraiser with experience appraising such hotels. Specifically, the new requirement stipulates that a real estate appraiser must have completed at least four going-concern appraisals on equivalent properties within the last 36 months.

## LINC – Matching Entrepreneurs with SBA Lenders

Maria Contreras-Sweet, head of the U.S. Small Business Administration, announced a major expansion to LINC (Leveraging Information and Networks to Access Capital), an online platform that matches entrepreneurs with SBA lenders.



U.S. Hotel Appraisals' Managing Partner Russ Rivard, MAI with NAGGL VP of Convention Services Cheryl Stone.

LINC was originally launched in February of 2014 as a pilot program available only to nonprofit lenders. The LINC matchmaking tool is now available to all 7(a) lenders nationwide, marking a major step forward in giving small-business owners access to essential sources of capital in all 50 states and the U.S. territories.

*U.S. Hotel Appraisals conducts more than 500 appraisals of limited-service hotels each year. We're well versed in all types of lending for hotel transactions, refinancing, and new development, including SBA loans.*

Visit [www.ushotelappraisals.com](http://www.ushotelappraisals.com) to learn how we can help you move forward with your next hotel project.

## About the Authors



As Managing Partner of U.S. Hotel Appraisals, Russ Rivard coordinates an integrated team of appraisal and support professionals to conduct more than 500 limited- and select-service hotel assignments each year. Russ earned his master's degree from the University of Arkansas in Operational Management and is experienced in rooms' division management. Russ is a state-certified appraiser and an associate member of the Appraisal Institute. He regularly represents U.S. Hotel Appraisals at industry events, sharing insights gained from thousands of hotel assignments and nearly two decades in the industry.

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David Bone grew up on his family's small Texas farm, forging a discipline he carries through to his career as a hotel consultant and appraiser. David has conducted hundreds of consulting and appraisal assignments for limited-, select-, and full-service hotels in markets across Texas and the western U.S. David formerly worked in the rooms division and engaged in all aspects of operations at the Omni Parkwest Hotel in Dallas. David graduated from Texas A&M University.

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