

Date: September 10, 2010

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Subject: Paperwork Reduction Act Submission – Expired Forms 1086 and Form 1502

This memorandum is accompanying the renewal of SBA Forms 1086 and 1502 (OMB Control Number 3245-0185). The renewal submission is in accordance with the Paperwork Reduction Act. The Forms expired on June 30 2009, and are being submitted with the following explanation(s) for the delay:

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 166 (FAS 166) in June, 2009. The standard made a number of changes to the treatment of loan interests sold, including a provision which required sellers to defer recognition of any gain on sale until the expiration of any recourse period. SBA interpreted this to include the warranty period described in Section II, paragraph 3 of the current SBA Form 1086 (“1086”). SBA was unable to anticipate this FASB release, but recognized the affect this change in the Standards would have on the 1086 which expired June 30, 2009.

After internal discussions, SBA issued a Notice; Request for Comment in the Federal Register on March 19, 2010 seeking guidance from the lending and investment community on various options involving the warranty period in the 1086. After the comment period closed on April 19, 2010 SBA evaluated the comments submitted, made the accompanying changes to the Form and re-circulated the Form for clearance.

No changes have been made to this edition of the Form 1502. More significant modifications on the Form 1502 are forthcoming under a separate submission.