



U.S. Small Business Administration

North Carolina District Review

U.S. Small Business Administration, 6302 Fairview Road, Suite 300, Charlotte, NC 28210
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The *NC District Review* is available via e-mail or fax. To receive via e-mail, visit www.sba.gov and click on 'Subscriptions.' To receive via fax, notify Cecelia Rolls by phone at 704-344-6810, by fax at 704-344-6769 or e-mail at cecelia.rolls@sba.gov.

MOST ACTIVE LENDER RANKINGS FY 2004 YTD

October 1, 2003 – October 31, 2003

LENDERS

	No. of Loans			\$ Amount Millions
	<u>7(a)</u>	<u>504</u>	<u>Total</u>	
Large Banks				
1. Bank of America	24	0	24	\$0.6
2. Capital One	20	0	20	\$1.0
3. Wachovia Bank	5	0	5	\$6.6
3. Goleta National Bank	5	0	5	\$1.3
4. Innovative Bank	4	0	4	\$0.04
Community Banks				
1. Bank of Granite	5	0	5	\$3.1
1. Surrey Bank & Trust Company	5	0	5	\$0.4
2. Sound Banking Co.	4	0	4	\$0.4
3. Southern Bank & Trust Co.	3	0	3	\$0.2
Small Business Lending Companies				
1. CIT Small Business Lending Corporation	5	0	5	\$3.5
1. Self-Help Credit Union	5	0	5	\$0.4
Certified Development Companies				
1. Smoky Mountain Development Corporation		2	2	\$0.8
2. Wilmington Industrial Development Corporation		1	1	\$0.9
3. Charlotte Certified Development Corporation		1	1	\$0.4

FROM THE NC DISTRICT DIRECTOR

Congratulations and thank you to all SBA lenders in North Carolina for a banner year. The number of SBA loans in the state increased by 30.6% and was within two loans of being an all time record. In FY 2003, 968 loans were guaranteed for over \$205 million. This compares to 641 loans and \$172 million in FY 2000.

As we start FY 2004, we continue to see strong demand for loan guarantees and anticipate additional increases in the coming months. We welcome and encourage your continued use of SBA programs. With your participation we can support more small businesses as they pursue their dreams.

We were unable to conduct an annual SBA Lenders' Conference during the past year. Plans are, however, in the works for a conference this year. It will be hosted and sponsored by the NC Bankers Association. It is scheduled for March 9 & 10, 2004, in Greensboro.

Please mark your calendars and plan to be there. The Conference will provide up-to-date information on SBA programs and services and will include nuts-and-bolts workshops on processing and servicing SBA loan guarantees.

Let me underscore the intent of our District Office to support North Carolina lenders. Don't hesitate to call us (see individual phone numbers on the last page of this newsletter) to discuss individual loan situations, credit structures and approaches. We may be able clarify issues and suggest better alternatives before you and your customer invest a lot of time.

Again, thanks for a great 2003. We look forward to working with each of you in the coming year. Together we can help small businesses succeed.



Lee Cornelison
District Director

FIRMS CAN NOW FILE ANNUAL REPORTS ONLINE WITH NC SECRETARY OF STATE

Your clients may take advantage of a new service offered by the North Carolina Secretary of State. Most companies can benefit from this simple, easy to use online process.

Go to: <http://www.secretary.state.nc.us/aronline> and follow the instructions.

You can also access the site by going to the SBA North Carolina page, www.sba.gov/nc and click on Local Resources.

GRAND OPENING OF NEW WOMEN'S BUSINESS CENTER IN ASHEVILLE

SBA recently announced that Mountain Microenterprise Fund (MMF) in Asheville has been designated an SBA Women's Business Center. MMF was the recipient of a grant from SBA's Office of Women's Business Ownership.

This grant will enable MMF to provide training and technical assistance to current and aspiring women entrepreneurs throughout western North Carolina.

MMF offerings include:

- One-on-one consultation with business owners and prospective entrepreneurs
- Foundations Business Training Program: a 24-hour course which guides potential entrepreneurs through the business planning process
- Workshops on topics such as financial management, QuickBooks, public relations and marketing
- Microloans from \$2,500 to \$25,000

Since 1989, MMF has provided the Foundations Business Training Course to over 1,100 individuals and has disbursed over 140 loans totaling over \$350,000. For more information, contact Carolyn Paden, at (828) 253-2834 or carolyn@mtnmicro.org. Visit MMF's website at <http://www.mtnmicro.org>.

LENDERS SBA WEB SITE – “www.sba.gov/banking”

SBA website contains complete information on all SBA loan programs, all SBA Forms, Policy and Procedural Notices, SBA Regulations and Standard Operating Procedures. You also will find the standardized 7(a) Loan Authorization and information on 1502 reporting procedures. This is intended to be a one-stop site; however if other information is needed or would be beneficial to you as a lender, please let us know.

MONTHLY LENDER WORKSHOP

The NC District Office conducts Lender Workshops from 9:00 a.m. until 12:15 p.m. on the second Tuesday of each month at the Charlotte office. See below for upcoming dates. The workshops focus on SBA Loan Programs and borrower eligibility. Walk-ins are welcome, but the presenter appreciates knowing in advance if you are planning to come. Call Gary Borchardt at (704) 344-6377 or Celia Rolls at (704) 344-6810 to register.

December 9

January 13

February 10

REMINDER: NOMINATIONS FOR 2004 SMALL BUSINESS PERSON OF THE YEAR

There's still time! SBA is seeking nominations for the 2004 North Carolina Small Business Person of the Year and Small Business Advocate awards. Please consider honoring one of your small business clients. Nomination packages must be received at the Charlotte District Office on or before December 5, 2003.

To find nomination guidelines and required forms, visit the SBA North Carolina District website at <http://www.sba.gov/nc>. Look in the What's New? section and click on 2004 Small Business Week Awards. For more information contact Mike Ernandes, 704-344-6588 or e-mail mike.ernandes@sba.gov.

POLICY CHANGES AND CLARIFICATIONS

Lender Compliance with Treasury Requirements for Customer Identification Programs *SBA Information Notice 5000-887*

Section 326 of the USA PATRIOT Act requires minimum standards for financial institutions to apply in verifying the identity of customers, in order to facilitate the prevention, detection and prosecution of international money laundering and the financing of terrorism.

On May 9, 2003, the U.S. Department of Treasury through the Financial Crimes Enforcement Network (FinCEN), together with other several other federal entities issued a Joint Final Rule applicable to Banks, Savings Associations, Credit Unions, and Certain Non-Federally Regulated Banks, requiring those lenders to implement a Customer Identification Program (CIP) by October 1, 2003.

The Joint Final Rule requires the CIP procedures to cover customers opening an account, including a credit account, with the lender. SBA 7(a) Guaranty Loans and third party financings made in conjunction with SBA 504 Loans are subject to the provisions of this final rule.

SBA lenders are also advised that when making an SBA loan, they must continue using the SBA Form 912, *Statement of Personal History*, where applicable, in addition to any customer identification steps taken pursuant to their CIP.

A notice will be issued shortly that will provide guidance to SBA lenders not covered by the Joint Final Rule. In the interim, SBA expects these lenders (including but not limited to SBLCs) to begin planning a CIP. (Certified Development Companies (CDCs) that make 504 loans with third party lenders that are subject to the Joint Final Rule will not be expected to duplicate CIP procedures.)

You can monitor FinCEN's USA PATRIOT Act regulatory activity by visiting the FinCEN website at <http://www.fincen.gov>.

A copy of the Joint Final Rule, as published in the *Federal Register* on May 9, 2003, can be located at the following link: <http://www.fincen.gov/326bankfinal.pdf>.

Changes in Lien Policy for 7(a) and 504 Programs SBA Policy Notice 5000-889

SBA has modified the requirement that all liens on all primary and on all secondary collateral be recorded for the full amount of the loan. This requirement was causing an unintended hardship for some borrowers.

This modification of policy is intended to free up a borrower's cash that would otherwise be used for lien recording fees. The additional cash flow will improve the chances for loan repayment and borrower success.

Effective immediately, SBA lenders may limit the size of the lien recorded on certain secondary collateral taken to secure an SBA guaranteed loan. Specifically, when an SBA lender takes a lien on a personal residence or non-business real property held for investment purposes, the lender may choose to limit the lien to 150 percent of the available equity in the residence or investment property. This will allow for the sharing of possible appreciation in the equity over time and grant the borrower relief from the high recording costs in certain states.

To view the new language, see page 95 of SOP 50 10(4)(E), Subpart A, Chapter 4 (Credit), Paragraph 1.h.(5)(c)9. This and other SOP's can be found at <http://www.sba.gov/banking>.

504 Eligible Project Costs, Administrative Costs, and Fees SBA Information Notice 5000-892

All 504 loans approved by SBA on or after November 6, 2003, must be in compliance with the regulations governing eligible project costs, eligible administrative costs, and eligible fees as revised. The changes to the regulations governing eligible project costs, eligible administrative costs, and eligible fees are the following:

Eligible Project costs for 504 loans.

- Professional fees directly attributable and essential to the Project, such as title insurance, opinion of title, architectural and engineering costs, appraisals, environmental studies, and legal fees related to zoning, permits, or platting.
- Borrower's out-of-pocket costs associated with 504 loan and Debenture closing other than legal fees (for example, certifications and the copying costs associated with them, overnight delivery, postage, and messenger services).
- The CDC may charge a reasonable closing fee sufficient to reimburse it for the expenses of its in-house or outside legal counsel, and other miscellaneous closing costs (CDC Closing Fee). Some closing costs may be funded out of the Debenture proceeds.
- The CDC can receive a reasonable referral fee from the Third Party Lender if the CDC secured the Third Party Lender for the Borrower under a written contract between the CDC and the Third Party Lender. Both the CDC and the Third Party Lender are prohibited from charging this fee to the Borrower.

For more information contact Gary Borchardt at 704-344-6377 or gary.borchardt@sba.gov.

DISASTER WORKSHOPS SCHEDULED

If you have clients affected by Hurricane Isabel, they may attend a workshop to learn about the SBA Disaster Loan process. The workshops are available in the counties listed below. Call 1-800-359-2227 for locations, dates and times.

Beaufort	Dare	Pamlico
Carteret	Hertford	Pasquotank
Chowan	Hyde	

REMINDER: SBA DAYS

If you have clients who would be interested in learning more about SBA's programs, they can schedule a 30 minute, one-on-one information session with an SBA Representative. Call to make an appointment at the following locations:

Sponsor	Location	Day	Hours	Phone Number
Cary Chamber	Cary	Third Wednesday	10 a.m. - 2 p.m.	919-467-1016
SBA	Charlotte	Fourth Tuesday	9 a.m. - 4 p.m.	704-344-6563
Gaston Chamber	Gastonia	Second Tuesday	9 a.m. - 1 p.m.	704-864-2621
Greensboro Chamber	Greensboro	First Tuesday	10 a.m. - 2 p.m.	336-510-1234
Henderson Co. Chamber	Hendersonville	Third Friday	10 a.m. - 2 p.m.	828-692-1413
Catawba Co. Chamber	Hickory	Third Tuesday	10 a.m. - 2 p.m.	828-328-6000
Cabarrus Co. Chamber	Kannapolis	Fourth Thursday	9 a.m. - 3 p.m.	704-782-4000
Lake Norman Chamber	Cornelius	Third Thursday	9 a.m. - 2 p.m.	704-892-1922
Mooresville Chamber	Mooresville	First Thursday	9 a.m. - 2 p.m.	704-664-3898
Rowan Co. Chamber	Salisbury	Fourth Wednesday	9:30 a.m.-2 p.m.	704-633-4221

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N.C. DISTRICT OFFICE LENDER CONTACTS

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Thomas Neal	(704) 344-6577	thomas.neal@sba.gov
Cecelia Rolls	(704) 344-6810	cecilia.rolls@sba.gov