



SBA News and Views is a monthly publication of the SBA Wisconsin District Office. Its purpose is to provide Wisconsin lenders and small business leaders with up-to-date information on SBA programs and small business issues. It is distributed at no cost, and the reprinting of articles is encouraged

Serving America's Small Businesses

U.S. Small Business Administration Wisconsin District Office

Eric Ness, District Director
May 2004

In this issue:

Streamlined Loan Servicing.....	page 1-3
E-Tran.....	page 3 & 4
New SBA Regulations.....	page 4
Small Businesses Helps to Protect The Environment.....	page 4
SBIR/STTR Awards Banquet.....	page 5
Asian Pacific American Heritage Month.....	page 5
April Lenders.....	page 5 & 6
Microlenders.....	page 6
Need a MicroLoan?.....	page 6
Free Seminar for Veterans.....	page 6
Calendar of Events.....	page 6
Free Training on SBA Loan Programs.....	page 7

SBA Home Page
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Implementing the New SBA: Streamlining Loan Servicing

As part of a broader initiative to transform and streamline the Agency's processing, servicing, and liquidation functions, SBA has recently completed an analysis of the servicing actions currently performed by its Little Rock and Fresno Commercial Loan Servicing Centers (CLSC). From that analysis, the Agency has concluded that a substantial percentage of the CLSCs' servicing actions entail documenting or responding to actions that SBA has fully delegated to 7(a) lenders or Certified Development Companies (CDCs). As such, these actions should not require either a notification to or a response from SBA.

Effective 4/15/2004, CLSCs will no longer review, acknowledge, stamp, notate or take any other servicing action on actions delegated to lenders/CDCs. This change to SBA internal procedure will allow SBA to more effectively and efficiently use existing resources in the CLSCs to process servicing actions that do require SBA review and approval.

SBA also has revised SOP 50 50 4, ¶ 13 (p. 4-13) to make clear that Lenders and ALP-CDCs must not notify SBA or seek SBA approval on "non-substantial" servicing actions within a Lender/ALP CDC's unilateral authority, when they take such actions. Lenders may consult with SBA, about whether a proposed action is substantial or will confer a preference, by calling the CLSC responsible for overseeing servicing.

In addition, this notice reiterates current policy concerning which actions SBA has delegated to certain lenders/CDCs, and which lenders/CDCs have been granted unilateral authority to take certain actions.

Actions that Certain Lenders MUST Submit to SBA Non-Delegated Actions Requiring SBA Approval

Before lenders may take certain servicing actions, they must obtain prior written approval by SBA. Other than those specific actions referenced below, SBA has delegated to such lenders all other servicing actions, pursuant to regulation, SOP, and supplemental loan guaranty agreements. ***Such lenders must not submit these actions to SBA for review and/or approval.*** However, they must document their loan files concerning the actions taken.

PLP Lenders or Lenders on LowDoc Loans

The following actions are not delegated to PLP Lenders or to Lenders on LowDoc loans:

- Action that would confer a preference on the lender.** (13 CFR 120.453; SOP 50 50 4, Ch. 6, ¶5.c(4)(a), p. 6-4 or ¶6.b(2), p6-5)
- Compromise with any obligor for less than the full outstanding principal loan balance.** (13 CFR 120.453; SOP 50 50 4, Ch 6, ¶5.c(4)(b), p. 6-4 or ¶6.b.(2), p. 6-5)
- Release a guarantor if the loan is delinquent or liquidation is contemplated.** (SOP 50 50 4, Ch. 6, ¶5.c(4)(b), p. 6-4 or ¶6.b(2), p. 6-5)

4. **Take title to environmentally impaired property.**
(SOP 50 50 4, Ch. 6, ¶5.c(4)(c), p. 6-4 or ¶6.b(2), p. 6-5)
5. **Take title to environmentally impaired property.**
(SOP 50 50 4, Ch. 6, ¶5.c(4)(c), p. 6-4 or ¶6.b(2), p. 6-5)
6. **Transfer loan to another lender.**
(SOP 50 50 4, Ch. 6, ¶5.c(4)(d), p. 6-4 or ¶6.b(2), p. 6-5)
7. **Sell or pledge more than 90% of a loan.**
(SOP 50 50 4, Ch. 6, ¶5.c(4)(e), p. 6-4 or ¶6.b(2), p. 6-5)
8. **Change guaranty percentage.**
(13 CFR 120.452(a)(3))
9. **Emergency repurchase from secondary market.**
(SOP 50 50 4, Ch. 8 ¶11.c., p. 8-6)
10. **Handle non-routine (contested) litigation or litigation with legal costs over \$5,000.**
(SOP 70 50, Ch. 6 ¶42 and 43, p.61)
SBAExpress Lenders

7. Sell or pledge more than 90% of a loan.
8. Change guaranty percentage.
9. Repurchase from secondary market.
10. Handle non-routine (contested) litigation or litigation with legal costs over \$5,000.
11. Increase the principal amount of the loan.
12. Disburse a loan with primary collateral having significant potential environmental risks that are proposed to be minimized by a non-standard indemnification agreement.
13. Select firms owned by officers, directors, employees or 10% or more stockholders of the lender to provide care and preservation services, legal assistance, or other liquidation services.
14. Release collateral that will be subsequently pledged for a conventional loan from the lender or any entity owned in whole or in part by the lender's officers, directors, employees, or 10% or more shareholders.

Actions that Lenders/CDCs Should NOT Submit to SBA Unilateral Actions by Lenders (Other Than PLP and SBAExpress Lenders) for LowDoc Loans and by ALP-CDCs

SBA has delegated to lenders other than PLP and SBAExpress lenders and for LowDoc loans, and to ALP-CDCs, the unilateral authority to take “non-substantial” servicing actions, including but not limited to the following actions, without SBA clearance or approval, but subject to the restrictions and requirements in SOP 50 50 4A, Chapter 4, paragraphs 12 and 13, pp. 4-12 – 4-19, and SBA Policy Notice 5000-882 (effect. 8/27/03). Consequently, *these lenders/CDCs should not send actions within their unilateral authority to SBA, and even if lender/CDCs to send documentation of such actions, SBA will no longer*

process, record or acknowledge such actions.

1. Correct obvious typographical actions.
2. Provide payoff figures to borrowers.
3. Modify financial statement requirements.
4. Defer principal and/or interest payments.
5. Release collateral up to cumulative value of 20% of original amount.
6. Substitute collateral.
7. Subordinate to third party senior lien.
8. Change life or hazard insurance requirements.
9. Adjust loan installment amounts.
10. Make loans that do not adversely affect the collateral.
11. Approve change in borrower's form of organization.
12. Adjust management covenants.
13. Accept prepayments.
14. Extend initial disbursement period up to 6 months.

Note Regarding CDCs

Because SBA holds the loan and collateral documents for 504 loans, CDCs and ALP CDCs must prepare for SBA review and signature any necessary legal documents to effect a desired servicing action, even for unilateral servicing actions by ALP-CDCs. The CDC is responsible for maintaining a loan file with all appropriate documentation of servicing actions.

Actions by Lender/CDC That REQUIRE Notification to SBA

Actions that Require Notification to SBA (but not approval or response by SBA)

For the following delegated/unilateral servicing actions, all lenders/CDCs must notify the CLSC when taking such actions because SBA must update SBA's accounting records and loans database to reflect the changes. However, SBA will not respond to the

The following actions are NOT delegated to SBAExpress lenders, pursuant to the SBAExpress Program Guide (10/1/02), ¶7.C(1), p. 29:

1. Action that would confer a preference on the lender.
2. Compromise with any obligor for less than the full outstanding principal loan balance.
3. Release a guarantor, even if actual demand has not yet been made.
4. Title property in the name of SBA.
5. Take title to environmentally impaired property.
6. Transfer a loan to another lender.

lender/CDC and will no longer process such actions other than by simply making the necessary changes to SBA's database.

1. Loan cancellations.
2. Decreases in loan amount.
3. Changes of maturity
4. Changes of business name and address.
5. Extensions of disbursement periods, and
6. Notice of prepayment.

Procedures for Subsidy Recoupment Fee Requests
Note Regarding Request for Waiver of Subsidy Recoupment Fee (Prepayment Fee)

CLSCs and field offices must refer such requests to the Office of Financial Assistance in Headquarters for final determination.

Questions regarding this notice should be directed to Jerry Garner, Office of Financial Assistance, at (202) 205-6488.

E-Tran

E-Tran is an SBA loan guaranty origination solution that leverages best-practice Internet technology to reduce the turnaround time on loan guaranty requests and provide the agency with high quality, timely data to support the management and oversight of its portfolio. E-Tran is one component of an overall strategy to provide increased efficiency and decreased costs in the loan guaranty origination process.

SBA has worked with numerous lenders over a two years period to tailor this application for the lending community. E-Tran's flexibility allows lenders to determine which method of access is best for them. E-Tran was created to allow access through a number of channels, including:

- A Web page where lenders Can enter loan information for single loans;
- A secure Web site capable of Accepting multiple

applications simultaneously via an XML (Extensible Markup Language) file transfer

- Working with software Intermediaries that have E-Tran loan submission functionality built into their program.

The Agency has been requested repeatedly, to work with the financial industry's software providers to incorporate E-Tran into their software products. The technical specifications for E-Tran were designed so that any bank is able to access this system regardless of their level of technical expertise.

Who is Eligible for E-Tran?

SBAExpress lenders with delegated eligibility authority will be given 1st preference, but all Express lenders are eligible. SBA is taking an incremental approach to opening E-Tran. Currently SBA Express represents over 50% of all loans guaranteed and is our highest priority. PLP lenders and 504 loans will come online in the near future. A final timeline has not been determined.

What Are Lenders Saying About E-Tran?

- Instant Assignment of SBA number (decreased turn around time and convenience)
- Competitive advantage: Ability to respond in the market place and close loans faster
- Automated report features
- Confidence that eligibility Compliance is being maintained due to system design of the data entry and Validation
- Automatic calculation of fees
- Access to technical support (very responsive)
- Drafts can be created and Stored to return to at a later date
- Overall programming very "user-friendly" and easy to train
- Instant Validation provides

Comfort that there are no errors in data entry.

How Does It Work?

- **Lender A** (high level of technological capability or subscribes to a documentation software vendor)

Lenders will have access to E-Tran whether they use commercially available software or an in-house designed program. Either can be easily updated to implement E-tran. Software vendors and lending partners can use the E-tran documentation to customize their software to extract SBA's required data from their systems. This documentation describes the technology standards and data required to send an Internet file transfer to SBA.

Once implemented, the data is sent to the SBA much like an e-mail attachment. The file transfer data is subjected to the same validation rules and constraints as data entered into the web application. For example, a \$5 million SBAExpress loan guaranty request would be screened out for exceeding the "maximum loan amount" business logic coded into the system. In this instance, the system informs the user of the error and requests an acceptable entry for loan amount.

- **Lender B** (has Internet capability, but does not use a software vendor product)

Lender must log into the system with their user names and passwords, which are entered in the New IT Security system and authenticated against SBA's Partner Identification Management System (PIMS). The Security system and PIMS serve as the gatekeepers to E-tran. The integration of these three systems prevent a lender with an inactive SBAExpress agreement from processing a SBA Express loan electronically. Once logged into the system, SBAExpress lenders will enter the data required to receive a loan number, most of which

is the same as what is contained on the paper-based SBAExpress forms currently being used by SBAExpress lenders. It is important to note there are some additional data fields required in E-tran that some lenders may be unfamiliar with submitting during the loan guaranty approval process. Upon completion of the data entry, which takes an experienced SBAExpress Lender approximately 15-20 minutes, lenders will validate the data against SBA's business rules, correct any mistakes, and then submit the loan application. Within minutes the lender will receive an SBA loan number signifying approval of the loan guaranty request.

How to get Started?

Lenders should contact: Stephen Kucharski at (202) 205-7551 or Stephen.kucharski@sba.gov

Glenn Hannon at (202) 205-7122 or Glenn.Hannon@sba.gov.

The following information will be required to issue a user id/password for E-tran:

- Last name of User:
- First Name:
- Middle Initial:
- Lender Name:
- Company:
- FIRS #:
- Complete Mailing Address:
- Title:
- Telephone Number:
- E-mail address:

New SBA Regulations Creates Contracting Opportunities

The U.S. Small Business Administration announced a new procurement program that will boost federal contract opportunities for service-disabled veteran-owned small businesses. The interim rule was published on April 30, 2004 and is effective immediately. The Federal Acquisition Regulatory Council concurrently released regulations

implementing the program.

The new rule will amend the relevant sections of the Code of Federal Regulations, adding provisions that will allow contracting officers to restrict contract awards to service-disabled veteran-owned small businesses when there is a reasonable expectation that two or more service-disabled veteran-owned small businesses will submit bids at a fair market price. It also allows awards of sole-source contracts to service-disabled veteran-owned small businesses when there is not a reasonable expectation that two or more service-disabled veteran-owned firms will submit bids and the anticipated contract price does not exceed \$3 million, with the exception of manufacturing contracts where the contracting threshold is \$5 million.

The interim rule allows small businesses to self-certify as service-disabled veteran-owned businesses. Any challenge to a firm's status as a small business or standing as a service-disabled veteran-owned small business must be referred to the SBA for resolution. The SBA will rely upon existing Department of Veteran's Affairs or Department of Defense determinations regarding status and will help enforce penalties for false representation.

Small Business Helps Protect the Environment

America's Main Street businesses are an integral part of their communities, and that means caring for the environment of their children, neighbors, and friends. This environmental stewardship is fundamental to being a successful small business, according to a statement by Chief Counsel for Advocacy Thomas M. Sullivan.

The statement was presented to the U.S. House of Representatives, Committee on Small Business,

Subcommittee on Regulatory Reform and Oversight for their hearing "Small Businesses Creating Jobs and Protecting the Environment." Celebrating the many positive contributions small businesses make to the environment, he said in part:

Small business help protect the environment by being an active part of the communities where they work. These businesses know their neighbors hold them accountable for keeping the community clean and healthy...

Small business helps protect the environment through innovation. Advocacy's economic research indicates that small businesses innovate at twice the rate of large businesses. That innovation often yields environmentally friendly products and technologies.

Everyone benefits when small businesses, in an effort to improve their bottom line, create more efficient, environmentally sound products...

Small businesses are often clean businesses. Advocacy's economic research indicates that of the 22.9 million small businesses in the U.S., 53 percent of those are home-based businesses. The majority of these home-based businesses are sales and service-oriented, with very little potential for environmental harm.

The Office of Advocacy, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For the complete statement, visit the Office of Advocacy website at www.sba.gov/advo.

**SBIR/STTR
Technology Awards
Conference & Banquet**

The 18th Annual Wisconsin SBIR/STTR Technology Awards Conference & Banquet will be held at the Hyatt Regency Hotel, 333 W. Kilburn Avenue, Milwaukee, WI on June 1-2. This year's event, sponsored by WISBIC (Wisconsin Small Business Innovation Consortium), will be co-located with the Wisconsin Entrepreneur's Conference. The event will provide training for small businesses interested in applying for SBIR and STTR research grants and to honor the Wisconsin Business awarded SBIR and STTR research grants in fiscal year 2003.

The keynote speaker is Dan Berglund of the State Science & Technology Institute. His topic is Best Practices for Technology Entrepreneurship. Training topics are SBIR/STTR Overview, Managing Intellectual Property, Costing & Grant Management, and Tech-Transfer Success Stories. One-on-one sessions with granting agencies (NIH, NSF, and DOD) are available.

Online registration is available at www.wisconsintechcouncil.com. Please contact Tony Wagner @608-441-5515 for more information.

**Asian Pacific American
Heritage Month**

May is Asian Pacific American Heritage Month. This year's theme is "Freedom For All, A National We Call Our Own." The first Asian Pacific American Heritage observance was established by a joint Resolution of Congress on October 5, 1978. In 1990, President George Bush extended this week long celebration to the month of May of each year.

President George W. Bush has stated: "Many Asian/Pacific immigrants came to America to discover the promise of our Nation and to realize their dreams. Their contributions were critical in establishing a robust economy. Asian/Pacific Americans also worked tirelessly to build our national railroad infrastructure, paving the way for our western expansion and growth as a world leader.

According to the most recent Census data, there have been significant gains in the number of businesses owned by Asians and Pacific Islanders. They now own more than 4.38 percent of all U.S. firms, having expanded by more than 30 percent in a recent 5-year period.

Reflecting on the theme of this year's observance, SBA is proud that we have helped make it possible for Asian Pacific Americans in businesses to refer to the United States as "a Nation we call our own."

**SBA Lenders for
April 2004**

Amcore Bank NA Rockford
Rockford, IL – 2 Loans for \$171,500

American Express Centurion Bank
Salt Lake City, UT
1 Loan for \$15,000

Associated Bank NA
Green Bay – 18 Loans for \$1,080,500

Associated Bank Minnesota NA
West St. Paul, MN
1 Loan for \$13,500

Bank Mutual
Milwaukee – 2 Loans for \$100,000

Bank of Kenosha
Kenosha – 1 Loan for \$35,000

Bank of Luxemburg
Luxemburg – 1 Loan for \$108,000

Bank One NA
Columbus, OH
5 Loans for \$1,235,000

Baylake Bank
Sturgeon Bay – 2 Loans for \$45,000

Bremer Bank NA
New Richmond – 1 Loan for \$150,000
Siren – 1 Loan for \$35,000
Total: 2 Loans for \$185,000

Capital One Federal Savings Bank
Falls Church, VA
4 Loans for \$160,000

Community Bank & Trust
Sheboygan – 7 Loans for \$1,385,000

Community State Bank
Union Grove – 1 Loan for \$42,000

Cornerstone Community Bank
Grafton – 2 Loans for \$115,000

First Bank Financial Centre
Oconomowoc
3 Loans for \$1,281,000

**First Citizens State Bank of
Whitewater**
Whitewater – 1 Loan for \$750,000

First National Bank In Manitowoc
Manitowoc – 1 Loan for \$50,000

First National Bank of Barron
Barron – 1 Loan for \$50,000

First National Bank Fox Valley
Menasha – 1 Loan for \$40,000

First State Bank
New London – 1 Loan for \$85,000

Green Lake State Bank
Green Lake – 1 Loan for \$750,000

Hiawatha National Bank
Hager City – 1 Loan for \$11,885

Hometown Bank
Saint Cloud – 1 Loan for \$193,000

Innovative Bank
Oakland, CA – 1 Loan for \$5,000

Investors Community Bank
Manitowoc – 2 Loans for \$424,076

River Valley State Bank
Eagle River – 1 Loan for \$127,000

Landmark CU
Hartland – 1 Loan for \$145,000

Royal Bank
Elroy – 1 Loan for \$700,000

Legacy Bank
Milwaukee – 1 Loan for \$95,000

Southport Bank
Kenosha – 1 Loan for \$140,000

M&I Marshall & Ilsley Bank
Milwaukee – 27 Loans for \$4,100,800

State Bank of Cross Plains
Madison – 1 Loan for \$81,000

Mainstreet Bank
Forest Lake, MN
1 Loan for \$292,000

State Financial Bank NA
Milwaukee – 1 Loan for \$500,000

McFarland State Bank
McFarland – 1 Loan for \$330,495

Stearns Bank
St. Cloud, MN
1 Loan for \$40,000

Milwaukee Economic Development Corp.
Milwaukee – 2 Loans for \$894,000

The Coulee State Bank
La Crosse – 1 Loan for \$40,000

National City Bank of Michigan
Bannockburn, IL
1 Loan for \$15,000

The Park Bank
Madison – 1 Loan for \$130,000

Park Bank
Milwaukee – 1 Loan for \$207,500
Holmen – 1 Loan for \$20,000
Total: 2 Loans for \$227,500

US Bank NA
Cincinnati, OH
7 Loans for \$401,000

Pigeon Falls State Bank
Augusta – 1 Loan for \$150,000
Pigeon Falls – 1 Loan for \$150,000
Total: 2 Loans for \$300,000

Wachovia Small Business Lending Corp. Union, NJ
1 Loan for \$691,000

Port Washington State Bank
Port Washington
1 Loan for \$55,000

Waukesha State Bank
Waukesha – 7 Loans for \$1,575,000

Premier Bank
Jefferson – 1 Loan for \$18,000

Wells Fargo Bank NA
San Jose, CA
4 Loans for \$417,000

Pyramax Bank FSB
South Milwaukee
2 Loans for \$150,000

Wells Fargo Bank Minnesota NA
Minneapolis, MN
1 Loan for \$90,000

Racine County Business Development Corp.
Racine – 1 Loan for \$149,000

West Pointe Bank
Oshkosh – 1 Loan for \$307,000

River Cities Bank
Wisconsin Rapids
1 Loan for \$116,500

Wisconsin Business Development Finance Corp.
Monona – 11 Loans for \$6,539,000

Wisconsin Community Bank
Cottage Grove – 1 Loan for \$100,000

Microlenders for April 2004

Lincoln Neighborhood Redevelopment Corp.
1 Loan for \$20,000

MICROLOAN?

The Micro Loan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500.

Applications are submitted to the local intermediary and all credit decisions are made on the local level. A list of Wisconsin intermediaries can be found at www.sba.gov/wi/wimicro.html

FREE BUSINESS SEMINAR FOR VETERAN'S

Wednesday, May 26, 2004
Time: 8:30 a.m. to 11:30 a.m.
Matousek Auditorium, VA Center
5000 West National Avenue,
Milwaukee. Contact Person:
Shirron Hervey, Veteran Employment Rep. Milwaukee Job Service
South at (414) 546-6842

To ensure that our veterans succeed in small business, we are offering this FREE loan seminar conducted by SBA personnel. Learn about SBA Loan Programs and how to receive an SBA loan for business start-up or expansion.

Link to WI SBA Calendar of Events and Training



SBA LOAN PROGRAMS
WHICH ONE FITS YOUR BUSINESS NEEDS
STARTING MAY 26, 2004

FREE WEEKLY ONLINE INFORMATION PROGRAM
WHICH ONE FITS YOUR NEEDS?

Join us each Wednesday for this online training program:

-  Learn about the different SBA Loan programs
-  Ask questions

This program is conducted by a member of the Wisconsin SBA District Office. It is designed for persons wanting to know more about SBA loans to start-up a business or to expand a business.

This is an online internet and telephone presentation. There is NO COST to participate.

WHEN: Each Wednesday from 9am to 10am

HOW: To reach the audio portion of the training, call toll-free (866) 740-1260 and enter the access code 3056302. To log into the Internet portion, go to <http://www.readytalk.com>. Click on "Join a Conference" and enter the same access code 3056302.

It is a good idea for first time participants to test their website browser compatibility prior to the call by going to <http://www.readytalk.com/test.html>.

If you only have access to a telephone, you will still be able to participate with just the audio portion. If you only have access to the internet and do not call in, you will not hear the audio portion of the program.