



NEWS & VIEWS



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
November 2003**
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Military Reservist Economic Injury Loans Still Available

Small businesses with essential employees called to active duty may still apply for Military Reservist Economic Injury Disaster Loans from the U.S. Small Business Administration.

For the last two years, the MREIDL program has provided loans to eligible small businesses to cover operating costs that cannot be met due to the loss of a key employee called to active duty in the reserves or National Guard.

“Many small businesses have had to cope with the loss of know-how, and have been hurt financially by the absence of a key employee during the recent call ups,” said SBA Administrator Hector V. Barreto. “This loan program has helped many businesses survive, and the SBA will continue to support these dedicated men and women who have made such a great sacrifice in the course of serving their country.”

Small businesses may apply for MREIDLs of up to \$1.5 million if they have been financially impacted by the loss of an essential employee. These working capital loans may be used to pay necessary operating expenses that could have otherwise been covered. The loans cannot be used to refinance debt or expand the business. The current interest rate is 3.1 percent, with a maximum term of 30 years. The SBA determines the amount of economic injury, the term of each loan and the payment amount based on the borrower's financial circumstances.

The MREIDL filing periods ends 90 days after the date the business owner or key employee is discharged from active duty.

To download an application, visit the Web site at www.sba.gov/disaster_recov/index.html. Businesses can also contact Wisconsin's SBA disaster area office at 1-800-359-2227 to obtain an application.

Lender Compliance with Treasury Requirements for Customer Identification Programs

USA PATRIOT ACT

On October 26, 2001, President Bush signed into law the USA PATRIOT Act (Public Law 107-56). Section 326 of the Act, codified at 31 U.S.C. 5318, requires the Secretary of the Treasury to prescribe regulations setting forth 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.

JOINT FINAL RULE PROMULGATED BY TREASURY

On May 9, 2003, the U.S. Department of Treasury, through the Financial Crimes Enforcement Network (FinCEN), together with the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit

Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA), 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 is codified at 31 CFR 103.121. Those lenders subject to the Joint Final Rule are defined in 31 CFR 103.121(a) (2). As noted in the preamble to the Joint Final Rule, the CIP must be applied throughout the lender's U.S. operations, including operations by its subsidiaries. The Joint Final Rule requires the CIP procedures to cover customers opening an account, including a credit account, with the lender.

APPLICATION TO SBA LENDERS

This Notice is to remind those SBA lenders subject to the requirements of the Joint Final Rule, including certain Small Business Lending Companies (SBLCs) which as subsidiaries are required to comply, that SBA 7(a) Guaranty Loans and third party financings made in conjunction with SBA 504 Loans are subject to the provisions of 31 CFR 103.121. 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.

SBA LENDERS NOT COVERED BY JOINT FINAL RULE

Further, the Agency is informing SBA lenders not covered by the Joint Final Rule that it intends to shortly issue a

Notice regarding the applicability of CIP requirements to these lenders. 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). Sound underwriting standards would undoubtedly require SBA lenders not covered by the Joint Final Rule to employ substantially the same customer identification steps lenders subject to the Joint Final Rule are now required to implement. Failure to follow such basic sound principles could result in denial of liability or lender oversight issues. SBA lenders not covered by the Joint Final Rule should anticipate that the next Notice will set forth requirements similar to those in the Joint Final Rule.

SBA lenders not covered by the Joint Final Rule are also advised to keep abreast of further regulatory activity by FinCEN extending the CIP requirements to additional categories of financial institutions. On May 9, 2003, FinCEN issued a Proposed Rule extending the CIP requirements of 31 CFR 103.121 to "certain banks lacking a federal functional regulator." FinCEN has also indicated that it intends to issue CIP rules applicable to "loan and finance companies" and "persons involved in real estate closings and settlements." Then final rules are issued by FinCEN, SBA expects that those SBA lenders covered by these rules will comply with the FinCEN requirements when processing SBA 7(a) Guaranty Loans, SBA 504 Loans and any other applicable SBA Loans.

DISTRIBUTION OF INFORMATION TO LENDERS

Lenders are encouraged to monitor FinCEN's USA PATRIOT Act regulatory activity by visiting the FinCEN website at <http://www.fincen.gov>. SBA lenders subject to the Joint Final Rule should direct any questions regarding the rule to the appropriate regulatory authority which issued the rule. A copy of the Joint Final Rule, as published in the *Federal Register* on May 9, 2003, can be located at the following link: www.fincen.gov/326bankfinal.pdf.

SBA Moves to Risk-Based Lender Oversight

The U.S. Small Business Administration is implementing a risk-based approach to overseeing individual lenders that includes an early warning predictive score component and a more comprehensive lender review process.

"With these tools, the SBA will be in a better position to identify and manage risk in our loan portfolio," said SBA Administrator Hector V. Barreto. "The more efficient, streamlined monitoring of our lenders will result in significant benefits for them and for the agency alike. It also furthers the Administration's push to leverage technology into the agency's programs.

Last spring, the SBA hired Dun & Bradstreet and Fair Isaac, two industry leaders in the fields of risk management, to provide loan and lender monitoring service for the agency. The system was recently delivered by Dun & Bradstreet to the SBA, and provides the agency with the ability to assess the performance of individual lenders and evaluate the overall performance of the SBA's 7(a) and 504 loan portfolios.

At the heart of the services provided is the Dun & Bradstreet/Fair Isaac Small Business Predictive Score. The entire SBA loan portfolio is credit scored for portfolio management purposes—not for credit decisions—on a quarterly basis. Once scored, the SBA analyzes the portfolio to quantify loan and lender performance and to proactively track relevant trends.

The benefits of the new oversight tool are:

- Risk ranking of all SBA lenders;
- Effective off-site monitoring of credit and performance trends to SBA lenders;

- Frequency and scope of lender reviews tied to risk profile of lenders;
- Lender and portfolio benchmarking and peer comparisons; and
- Utilization of industry best practices as part of lender oversight methodologies.

The SBA Office of Lender

Oversight is implementing the loan and lender monitoring system agencywide, and will issue further guidance for lenders on the impact of this risk-based oversight in the near future.

SBA Overview to Be Made Available in Seven Languages

An "Introduction to the U.S. Small Business Administration" is now available on the agency's Web site in seven languages, downloadable in a PDF format in English, Spanish, Russian, French, Arabic, Chinese and Japanese. The overview will soon be translated into Serbo-Croatian and Vietnamese as well.

An Introduction to the U.S. Small Business Administration is available on the SBA Web site at www.sba.gov/aboutsba/international/overview.html

The overview provides a definition of the term "small business," an overview of the SBA's history, and various small business statistics. The document also outlines the SBA's four basic program areas—access to capital, entrepreneurial development, federal procurement, and advocacy.

"Under the leadership of Cheryl Mills, our new Associate Deputy Administrator for the Office of Entrepreneurial Development, the SBA has taken greater steps to reach out to the international community," said SBA Administrator Hector V. Barreto. "The SBA can now more effectively educate entrepreneurs in all corners of the globe."

The SBA has long been a resource for many foreign nations as governments seek SBA information to help them emulate the "American model" of economic development. In fact, the SBA receives between 700 and 1,000 international visitors each year. The SBA's International Visitors Program provides visitors with briefing kits of the SBA's programs and services.

The publication of the introduction in various languages will allow international Web site visitors to locate information on the SBA more independently and more quickly than before.

Accomplishment in Effort to Unbundle Contracts

The U.S. Small Business Administration announced publication of a final rule on contract bundling, which will allow small businesses to better compete for federal contracts.

Contract bundling refers to the practice of combining several smaller contracts into one larger contract to simplify the contracting process and contract administration, and the practice became widespread in the mid-1990s to speed up and streamline government acquisition. The practice, however, puts small business contractors at a disadvantage because they are generally unable to satisfy all the requirements in a bundled contract.

According to the SBA's Office of Advocacy, every 100 "bundled" contracts means that 106 individual contracts are no longer available, and every \$100 awarded on a "bundled" contract has led to a \$33 decrease in contracts to small businesses. The final rule published October 20 in *The Federal Register* cleans up regulatory loopholes by requiring contract bundling reviews for task and delivery orders under multiple award contract vehicles; agency review of proposed acquisitions above specified thresholds for unnecessary and unjustified contract bundling; identification of

alternative acquisition strategies for the proposed bundling of contracts above specified thresholds, and written justification when alternatives involving less bundling are not used.

The final rule also mitigates the effects of contract bundling by, among other things, strengthening compliance with subcontracting plans, facilitating the development of small business teams and joint ventures, and revising the definition of contract bundling to include multiple award contracts vehicles and task and delivery orders.

Unbundling federal contracts is a key part of President Bush's Small Business Agenda, unveiled in March 2002.

2004 Schedule of 1502 Report & Payment Due Dates for 7(a) Loans

Paragraph 6 of SBA Form 1086, states that payments are due at the Fiscal and Transfer Agent (FTA) on the third **calendar** day of the month, or the next business day if the third is not a business day. The SBA allows a grace period of two business days after the due date. If FTA receives a regularly scheduled payment after the expiration of the grace period, a Late Penalty is assessed (subject to a maximum of \$5,000.00). Paragraph 6(c) of SBA Form 1086 describes the components of the Late Penalty. Lenders are billed for Late Penalties at the end of each month. Late Penalties are due to Colson (FTA) with the Lender's next monthly remittance.

Below is a schedule of **final** due dates, which includes the grace period of two business days for regularly scheduled payments. Payments received after the due date will be subject to the Late Penalty.

<u>2004</u>	
JANUARY	7
FEBRUARY	5
MARCH	5
APRIL	7
MAY	5
JUNE	7
JULY	8
AUGUST	5
SEPTEMBER	8
OCTOBER	6
NOVEMBER	5
DECEMBER	7

Questions concerning Late Penalties from the lenders should be directed to Mr. Larry Packer of Colson Services Corp. at 718-242-6657 or via e-mail at PACKERL@COLSONSERVICES.COM.

RULE CHANGE

The U.S. Small Business Administration has increased its revenue-based size standard for small businesses in the facilities support services industry from \$6 million in average annual receipts to \$30 million.

The new size standard will allow more companies to qualify for small business assistance and compete as a small business for federal contracts. It was published as a final rule in the *Federal Register* on October 15, 2003, and is effective on November 14, 2003. Under the new rule, the sub-category of base maintenance will also increase from \$23 million to \$30 million.

The change was the result of numerous requests from small businesses in the facilities support services industry. Representatives from these companies argued that an increase in size standards is warranted to reflect the size of federal contracts in this industry and that it would allow them to grow to a size at which they can effectively compete with large businesses. Based on a review of these issues and data on the facilities support services industry, SBA concluded that a higher size standard for this industry is appropriate. SBA examined

factors including average firm size, distribution of firms by size, start-up costs and industry competition.

SBA size standards define whether a business entity qualifies as small and whether it is eligible for government programs and assistance reserved for small businesses, including some programs in other agencies. Under the new rule, more small businesses will be eligible to apply for SBA's financing and loan programs as well as contracting and business development programs such as the 8(a) Business Development Program, HUBZone Empowerment Contracting program and small business set-asides.

Size standards are established separately for industry groups as defined by the North American Industry Classification System.

For additional information on the new size standard, visit the SBA's Office of Size Standards web page at www.sba.gov/size, and click on "What's New?"

Honoring America's Heroes

By: Michael Pappas
SBA Region II
Regional Administrator

As our nation continues to make tremendous strides in the war on terrorism, the U.S. Small Business Administration, as all of America, remembers and honors our servicemen and women. We remember those who fought for the ideals and liberties we believe in. We remember those who never came home, who gave up their lives for our freedom. We also remember those who fought and, through the grace of God, did return home. We owe a special debt of gratitude to our veterans. These unsung heroes put aside their personal dreams and aspirations and followed the call of duty.

The U.S. Small Business Administration offers a variety of

services of to American veterans seeking to make the transition from soldier to small business owner. Each of SBA's 68 district field offices throughout the country has designated a Veterans Business Development Officer to help veterans prepare and plan for entrepreneurship. In Wisconsin, the Veterans Business Development Officer is John Lonsdale and can be reached at (414) 297-1231. The Veterans Business Outreach Program provides entrepreneurial development services such as business training, counseling and mentoring to eligible veterans owning or considering starting a small business. Small Business Development Centers provide management assistance to current and prospective small business owners, offering one-stop assistance to small businesses by providing a variety of information and guidance in easily accessible branch locations. The Service Corps of Retired Executives (SCORE) provides resources and counseling services online at www.score.org.

Presently, hundreds of thousands of America's soldiers are in harm's way, including more than 200,000 activated members of the Reserve and National Guard. The SBA offers special assistance for activated Reserve and Guard members and the small businesses they work in or own. Any self-employed Reserve or Guard member with an existing SBA loan can request from their SBA lender or SBA district office, loan payment deferrals, interest rate reductions and other relief after they receive their orders.

The SBA is also offering special low interest rate financing to small businesses with essential employees called to active duty. The Military Reservist Economic Injury Disaster Loan Program (MREIDL) provides loans to eligible small businesses to cover operating costs that cannot be met due to the loss of a key employee called to active duty in the reserves or National Guard. Small businesses may apply for MREIDLs of up to \$1.5 million if

they have been financially impacted by the loss of an essential employee. The SBA has created a special web page specifically for Reserve and Guard members at www.sba.gov/reservists/.

Also, see related article elsewhere in this Newsletter.

American Indian and Alaska Native Heritage Month

National American Indian and Alaska Native Heritage Month are observed to increase awareness of our Nation's first inhabitants and to educate the public about the heritage, history, values, and traditions of American Indian and Alaska Native people. President George W. Bush stated "... we celebrate the rich cultural traditions and proud ancestry of American Indians and Alaska Natives, and we recognize the vital contributions these groups have made to the strength and diversity of our society." Indeed, the theme of the 2003 National American Indian and Alaska Native Heritage Month is **"Strengthening the Spirit."**

At the turn of the century, a month was designated to honor the contributions made by the first Americans towards the establishment and growth of the United States. Rev. Sherman Coolidge, an Arapahoe, who was President of the Congress of the American Indian Association, issued a proclamation on September 28, 1915, which declared a second Saturday in May as American Indian Day. In 1990, President George Bush approved a joint resolution designating November 1990 as National American Indian Heritage Month. Similar presidential proclamations have been issued each year since.

At the U.S. Small Business Administration, the Office of Native American Affairs ensures that American Indians, Native Alaskans, and Native Hawaiians have access to the full range of the Agency's

entrepreneurial development, lending and procurement programs.

SCORE Corner

SCORE (Service Corps of Retired Executives) "Counselors to America's Small Business", is a resource partner of the SBA dedicated to entrepreneur education and the formation, growth and success of small businesses. It is a volunteer group of retired men and women that provides the small business community with high-quality management information and assistance by means of workshops, and free one-on-one counseling sessions.

SCORE members are trained to serve as counselors, advisors, and mentors to aspiring entrepreneurs and business owners.

Milwaukee SCORE Chapter 28, founded in 1967, has over 50 counselors with business and professional backgrounds, including accounting, banking, construction, engineering, law and marketing.

SCORE Chapter 28 is undertaking a new objective of reaching out to Wisconsin lenders in an effort to educate lenders on the services SCORE offers so they can 'get the word' out to prospective SBA borrowers.

WAY TO GO, CHAPTER 28!

What's It All About? Small Business Development Centers

The Small Business Administration administers the Small Business Development Center Program (SBDC) to provide management assistance to current and prospective small business owners. SBDC's also provide assistance to small businesses applying for Small Business Innovation and Research (SBIR) grants from federal agencies.

The SBDC program delivers counseling, training and technical assistance in all aspects of small business management. SBDC services include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems, and feasibility studies.

SBDC assistance is available to anyone interested in starting or expanding a small business who cannot afford the services of a private consultant.

The SBA provides fifty percent or less of the operating funds for each state SBDC. One or more sponsors provide the rest. These matching fund contributions are provided by state legislatures, private-sector foundations and grants, state and local chambers of commerce, state-chartered economic-development corporations, public and private universities, vocational and technical schools, community colleges, etc. Increasingly, sponsors' contributions exceed the minimum fifty percent matching share.

To find an SBDC close to you, contact the Wisconsin SBA offices at (608)441-5263 or (414)297-3941. You may also obtain a listing by visiting Wisconsin's SBA website at www.sba.gov/wi/wisbdc.html



SBA Lenders for October 2003

American National Bank-Fox Cities

Appleton - \$127,500

Anchor Bank SSB

Madison - \$1,560,000

Associated Bank NA

Green Bay – 8 Loans for \$726,200

Bank Mutual

Milwaukee – 1 Loan for \$85,000

Bank of Little Chute

Little Chute – 1 Loan for \$65,000

Bank One NA

Chicago, IL – 2 Loans for \$236,400

Baylake Bank

Sturgeon Bay

3 Loans for \$1,595,000

Capital One Federal Savings Bank

Falls Church, VA

14 Loans for \$570,000

Citizens Bank of Mukwonago

Mukwonago – 2 Loans for \$95,000

Community Bank & Trust

Sheboygan – 14 Loans for \$2,471,500

Community Bank Delavan

Delavan – 1 Loan for \$31,500

Community First CU

Appleton – 2 Loans for \$234,000

Dairyman's State Bank

Clintonville – 1 Loan for \$112,000

F&M Bank-Wisconsin

Kaukauna – 2 Loans for \$209,000

Pulaski – 1 Loan for \$63,728

Total: 3 Loans for \$272,728

Fifth Third Bank

Chicago, IL – 1 Loan for \$150,000

First Banking Center

Kenosha – 2 Loans for \$170,000

Lake Geneva – 1 Loan for \$376,938

Total: 3 Loans for \$546,938

First Business Bank

Brookfield – 1 Loan for \$458,438

First National Bank In Manitowoc

Manitowoc – 1 Loan for \$49,000

Great Lakes Asset Corporation

Green Bay – 1 Loan for \$1,000,000

Innovative Bank

Oakland, CA – 1 Loan for \$5,000

Investors Community Bank

Manitowoc – 1 Loan for \$250,000

Johnson Bank NA

Janesville – 1 Loan for \$861,024

Layton State Bank

Greendale – 1 Loan for \$120,000

Legacy Bank

Milwaukee – 1 Loan for \$860,000

M&I Marshall & Ilsley Bank

Milwaukee – 20 Loans for \$3,845,000

Milwaukee Economic

Development Corp.

Milwaukee – 1 Loan for \$830,000

Mitchell Bank

Milwaukee – 1 Loan for \$470,000

Oak Bank

Fitchburg – 1 Loan for \$1,155,250

Ozaukee Bank

Cedarburg – 1 Loan for \$310,587

Park Bank

Milwaukee – 1 Loan for \$100,000

Racine County Business

Development Corp.

Racine – 1 Loan for \$244,000

River Bank

La Crosse – 2 Loans for \$1,485,000

River Cities Bank

Wisconsin Rapids

1 Loan for \$142,560

River Valley State Bank

Tomahawk – 1 Loan for \$244,000

St. Francis Capital Corporation

Brookfield – 1 Loan for \$72,000

The Park Bank

Madison – 1 Loan for \$71,000

Town Bank

Delafield – 1 Loan for \$235,175

Tri City National Bank

Milwaukee – 1 Loan for \$150,000

Union Bank of Blair

Blair – 1 Loan for \$638,000

US Bank NA

Cincinnati, OH-8 Loans for \$315,000

San Diego, CA- 3 Loans for

\$1,330,700

Total: 11 Loans for \$1,645,700

Wells Fargo Bank Minnesota NA

Minneapolis, MN

2 Loans for \$418,000

Wells Fargo NA

Minneapolis, MN

1 Loan for \$275,000

San Jose, CA-1 Loan for \$35,000

Total Wells Fargo Loans

4 Loans for \$728,000

Western Wisconsin

Development Corp.

Almena – 2 Loans for \$692,000

Wisconsin Business

Development Finance Corp.

Monona – 10 Loans for \$3,707,000

Wood County National Bank

Plover – 1 Loan for \$110,000

Microlenders for October 2003

Wisconsin Women's Business

Initiative Corporation

2 Loans for \$15,000

Wisconsin SBA Training Calendar