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Loan Report as of December 31, 2009

7(a) and 504 Loans Combined

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	68	\$10,795
JPMorgan Chase Bank	28	\$3,528
KeyBank	25	\$4,727
FirstMerit Bank	19	\$1,720
Fifth Third Bank	13	\$7,419

504 Loans

Bank	Number 504 Approvals
KeyBank	5
PNC Bank	4
Fifth Third Bank	3
First National Bank	3
FirstMerit Bank	2
Farmer's National Bank	2

CDC	Number 504 Approvals	Dollars (In Thousands)
Growth Capital Corp.	11	\$3,527
Cascade Capital Corp.	4	\$1,455
Lake County SBAC	3	\$414
Northwest Ohio Dev. Ass't.	3	\$992
Mahoning Valley Economic Dev. Corp.	2	\$643
Stark Development Board	2	\$276
Community Capital Dev. Corp.	1	\$245
West Central Partnership	1	\$1,412

In News for Our Lending Partners:

- *Recovery Act Loan Documentation Requirements and Restrictions*
- *Calendar Year 2010 Schedule of 1502 Report & Payment due dates for 7(a) Loans*



Additional Funding for SBA Recovery Lending Programs will Support \$4.5 Billion in Small Business Lending

Agency plans to restart Recovery loan approvals by Dec. 28

WASHINGTON – President Obama signed the U.S. Department of Defense (DOD) appropriations bill on Saturday, which included \$125 million to continue through Feb. 28, 2010, the enhancements made possible through the American Recovery and Reinvestment Act (ARRA) to SBA's two largest loan programs. The SBA estimates the additional funding will support \$4.5 billion in small business lending.

New approvals of loans with the higher guarantee and reduced fees made possible by ARRA are expected to begin by Dec. 28. Loan applications from borrowers who chose to be placed in the SBA's Recovery Loan Queue will be funded first, followed by new loan approvals beginning on or before Dec. 28.

"This Administration and Congress recognize that these key programs were successful in helping jump-start the economic recovery for America's small businesses," said SBA Administrator Karen Mills. "The increased guarantee and reduced fees on SBA loans helped put more than \$16.5 billion in the hands of small business owners and brought more than 1,200 lenders back to SBA loan programs. The extension of these programs through February is important to continuing our path toward recovery and will mean thousands more small business owners have access to the credit they need.

"Just two weeks ago, President Obama laid out key aspects of his jobs plan, including significant ongoing support for small businesses. We will continue to work with Congress on moving those proposals forward, including extending these loan enhancements as the President called for, to ensure that small business owners have the tools they need to drive economic growth and create jobs in communities all across the country."

As part of ARRA, SBA received \$730 million, which included \$375 million to increase the SBA guarantee on 7(a) loans to 90 percent and to waive borrower fees on most 7(a) and 504 loans. More information about the waived fees can be found [here](#). The funds for these programs were exhausted on Nov. 23.

SBA created the Recovery Loan Queue as part of its transition back to pre-ARRA lending on Nov. 23 because previously approved loans are sometimes canceled or never disbursed for a variety of reasons. Eligible small businesses, in consultation with their lender, could choose to be placed in the queue for possible approval of an ARRA loan if funding became available. Currently there are 1,069 loans totaling almost \$530 million in the Recovery Loan Queue.

The extension included in the DOD bill authorizes the higher guarantee levels through Feb. 28, 2010. The fee relief is authorized until this additional funding is exhausted or the end of the fiscal year, whichever comes first. As was the case in November, SBA will transition into a queue system as the funds start to wind down in order to ensure the maximum simulative effect of the programs and disbursement of funds.

For non-ARRA 7(a) or 504 loans funded during the transition period, this extension does not provide a retroactive guarantee or waived fees. Loans that were funded under non-ARRA terms cannot be canceled and resubmitted to take advantage of the ARRA extension provisions. This extension does not affect other SBA ARRA programs, including the America's Recovery Capital (ARC) loan program or the agency's microloans. ARRA funding still remains for both of those programs. ♦

NEWS FOR OUR LENDING PARTNERS

Recovery Act Loan Documentation Requirements and Restrictions

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") (P.L. 111-5) provided SBA with the ability to reduce certain loan fees and to increase certain loan guarantee percentages, subject to the requirements and restrictions outlined in the law. SBA has issued policy notices and Federal Register notices to advise its lending and resource partners of these additional requirements and restrictions and included them in SBA's loan application systems.

This Notice serves as a reminder to SBA lenders and Certified Development Companies (CDCs) about documentation requirements for Recovery Act loans. SBA is committed to being fair and transparent with its lending partners, and is issuing this notice to remind lenders and CDCs of their Recovery Act obligations. Lenders and CDCs should be aware that early reviews by SBA's Office of the Inspector General have found documentation related deficiencies when reviewing Recovery Act loans.

In order to properly document Recovery Act loan files, SBA reminds lenders and CDCs to make sure that their loan files contain specific documentation in the following areas:

1. **Borrower certification of hiring practices for 7(a) Loans with the Increased Guaranty:** Prior to first disbursement on a 7(a) loan with the increased guaranty, lenders must require that the Borrower and any Operating Company certify that they have not been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien. This certification is in addition to the existing disclosure requirement on SBA Form 912, Statement of Personal History. (See SBA Policy Notice 5000-1098, effective March 16, 2009 and the notice published in the Federal Register at 74 FR 27199, 27200.) This certification is only required on loans with an increased guaranty and must be retained in the loan file.
2. **Reimbursement of Borrower Fees for 7(a) and 504 Loan Guarantees:** If borrowers had already paid a fee on eligible 7(a) loans approved by SBA on or after February 17, 2009 and before March 16, 2009, lenders were sent fee refunds from SBA, which they must use to reimburse borrowers. Likewise, if a borrower had already paid a CDC for the Processing Fee on eligible 504 loans approved by SBA on or after February 17, 2009 and before March 16, 2009, the CDC was sent a refund from SBA that must be used to reimburse the borrower. Lenders and CDCs must document borrower receipt of the refund and be prepared to produce such documentation to SBA upon request. (See SBA Policy Notice 5000-1097, effective March 16, 2009 and the notice published in the Federal Register at 74 FR 27196, 27198.) Appropriate forms of documentation regarding fee reimbursement may include wire transfers or cancelled checks. These documents must be included in the loan file.
3. **Allowable Uses of Recovery Act Funds:** The Recovery Act established that no funds could be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course or swimming pool. SBA loan guarantees funded with Recovery Act funds may not be made available to businesses primarily engaged in these activities or to businesses that intend to use guaranteed loans for the acquisition, construction, renovation or other purposes that include restricted uses. (See SBA Policy Notice 5000-1105, effective May 22, 2009, for further guidance on the restricted uses of Recovery Act funds, as well as a listing of NAICS codes for restricted businesses and activities.) Documentation for acceptable uses of Recovery Act funds includes the following items:
 - a. **Certification that no funds will be used for a restricted use:** Lenders and CDCs must certify on the applicable eligibility questionnaires and checklists that no loan proceeds will be used for a restricted use. All applicable eligibility questionnaires and checklists for the 7(a) and 504 programs have been modified to include an additional statement to this effect and must be retained in the lender's or CDC's loan file.
 - b. **Certification of uses for working capital funds:** If an applicant receives a working capital loan, prior to first disbursement, the lender must require the Borrower and any Operating Company to certify that no funds from the working capital loan will be used for restricted purposes. This certification must be retained in the lender's or CDC's loan file.
 - c. **Credit memorandum and certification for projects with restricted uses:** If an applicant will receive a loan to acquire, construct or renovate an existing facility that also has a golf course or swimming pool, for example, then:
 - i. the lender or CDC must document in the credit memorandum that the use of proceeds does not include financing the restricted use and document the other resources that cover the financing of this component; and
 - ii. prior to first disbursement the lender or CDC must require the Borrower and any Operating Company to certify that alternate funding (which may come from the borrower's equity) has been obtained to pay the costs allocable to the acquisition, construction or renovation of the golf course or swimming pool.

The credit memorandum and the certification must be retained in the lender's or CDC's loan file.

SBA urges all participants to ensure that their documentation of Recovery Act loans is complete and accurate. SBA will review Recovery Act loans carefully during the purchase process and in the course of lender oversight activities in order to ensure that the requirements set out in the law were fully met. (Continued on page 3)

News for Our Lending Partners (Continued from page 2)

Calendar Year 2010 Schedule of 1502 Report & Payment due dates for 7(a) Loans

SCHEDULE OF PAYMENT DUE DATES

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 final due date will be subject to the Late Penalty.

	2010
JANUARY	6
FEBRUARY	5
MARCH	5
APRIL	7
MAY	5
JUNE	7
JULY	7
AUGUST	5
SEPTEMBER	8
OCTOBER	6
NOVEMBER	5
DECEMBER	7

If you have any questions on this or any SBA loan matter, please contact our Lender Relations division at (216) 522-4180. ♦

A Message from Pat Hayes, Regional Manager, SBA Export Solutions Group:

The SBA continues to place a priority on small business exports. The Export Working Capital Program ([EWCP](#)) is a short term loan program that still has a **90% guaranty** and fees of $\frac{1}{4}$ of 1% for maturities of 12 months or less. Many SMEs have purposefully targeted foreign markets for growth. The 90% guaranty of the EWCP allows lenders the ability to finance these growing SMEs while maintaining an acceptable level of risk.

The Export Express program ([Export Express](#)) continues at the **75%/85% guaranty** level – and provides lenders the ability to make loans and lines of credit available to new and existing exporters using their own forms and documentation. If you, or one of your clients, could benefit from either of these programs, please feel free to contact me.

China was the United States third largest merchandise export market in 2008 (behind Canada and Mexico). [Getting Paid on Exports to China](#) is a useful fact sheet put out by the U.S. Commercial Service's China team in November, please share this information with your clients and colleagues who you feel would benefit. Happy Holidays and best wishes for a Happy and Healthy 2010! ♦
More information at:
<http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/>

Webinar on Exporting to Canada to be Held

RepCAN 2010 Webinar January 14, 2010, 2:00 p.m.

The U.S. Commercial Service in Canada is hosting a FREE informative webinar to explain the benefits of RepCAN 2010 - CS Canada's flagship event for new-to-export and new-to-market firms. We invite U.S. firms interested in Canada as an export market to join us for this interactive session. Now in its 15th year, RepCAN 2010 is open to U.S. SMEs in all industry sectors with separate events staged in Vancouver, Montreal and Toronto between June 9 and June 17, 2010. Learn more about RepCAN 2010 and how it will help your business enter the Canadian market and grow your business in the largest and most important export market in the world. ([Click here for more information](#)) or go to: <http://www.buyusa.gov/canada/> ♦



SBA Lenders Honored at Award Ceremony

Eight leading SBA lenders in the Northern Ohio District were honored on December 14, 2009 at a special award ceremony at The Union Club in downtown Cleveland. U.S. Representative Marcia L. Fudge provided the keynote address at the ceremony.

The five top SBA lenders in Northern Ohio for FY 2009 were recognized. They were:

Lender	# of Loans	Total Loan Dollars (in thousands)
The Huntington National Bank	201	\$26,030
FirstMerit Bank	69	\$13,512
KeyBank	67	\$15,118
Charter One Bank	67	\$ 4,136
National City Bank	59	\$12,361

The Huntington National Bank received recognition for a “Triple Play Award” as the top lender in three categories: Number One Lender in total number of SBA loans, Number One Lender in total dollars of SBA loans and top SBA lender to minority-owned enterprises.

SBA also recognized Growth Capital Corporation as the District’s top producer of 504 program loans, and The Citizens Banking Company as the Number One Community Lender. Growth Capital’s 42 loan approvals of 504 loans totaled \$12.1 million. The Citizens Banking Company, headquartered in Sandusky, was the top producing SBA lender among true community banks, with 25 SBA loan approvals for \$5.3 million.

Contrary to the conventional wisdom of this recession, the Cleveland District also recognized three banks that actually bucked the trend and increased their SBA lending dollars in FY '09 over FY '08, despite the economy. The banks were KeyBank, Fifth Third Bank, and The Citizens Banking Company. The increase for the three banks ranged from 28% to 78%, and in actual dollars represented almost \$10 million.

Gil Goldberg, District Director of the U.S. Small Business Administration’s Cleveland District Office, reports overall his office guaranteed 866 small business loans, amounting to approx. \$176.0 million, during its recently completed Fiscal Year 2009.

“We are delighted to recognize these lenders,” stated Mr. Goldberg. “Our office appreciates the leadership shown by all of these banks in supplying capital to the area’s small businesses, especially during the worst economic period since the Great Depression.” ♦



Huntington National's Robert Bruno (fifth from left), SBA's Gil Goldberg, Congresswoman Fudge, and Huntington lenders.



The Congresswoman, Growth Capital's John Kropf (with award), Gil Goldberg, and Growth Capital staff



Congresswoman Fudge, Citizens Bank's Dennis J. Guerra and SBA District Director Goldberg



The Congresswoman, KeyBank's Matt Wyner and Julie Ann Sweet with District Director Gil Goldberg

SBA Region V Administrator Marianne Markowitz Visits Cleveland

Marianne Markowitz, SBA's Midwest Regional Administrator, had a very busy agenda during her two day visit to the Cleveland District on November 30 and December 1, 2009. Along with SBA Cleveland District Director Gil Goldberg, Ms. Markowitz met with Senator Sherrod Brown, had a luncheon meeting with the COSE Leadership Team, met with micro-lender WECO, had a breakfast meeting at the Federal Reserve Bank of Cleveland, and participated in a Lenders Roundtable at the Cleveland District Office.



Region V Administrator Markowitz meets with Lenders.



District Director Gil Goldberg and the Regional Administrator

Ms. Markowitz also found time to visit the staff at the Cleveland District office. Marianne talked and took questions from the SBA staff about the latest updates and future of the Recovery Act programs, Agency issues, Midwest and Ohio economic conditions, SBA loan programs and services, and training. The SBA staff enjoyed her visit and timely comments. ♦



SBA's Gil Goldberg, the Regional Administrator, Huntington National Bank's Robert Bruno, and National City/PNC's Lisa Rucker.



The Regional Administrator meets with SBA Cleveland District Office Staff.

Tough Labor Markets Tied to Startups of Smallest Firms, SBA Study Finds

Much has been said about small employers of up to 500 workers, but little is known about the three-quarters of firms in the economy that are "nonemployers," generating full- or part-time work for their owners. A new study examines basic statistics about the entry and exit of these very small firms. In contrast to employer firms, which often start as a response to an economic opportunity in the marketplace, nonemployer firms are often started as an occupational decision.

"Nonemployers represent the largest but possibly least understood segment of the business population," said Susan M. Walthall, Acting Chief Counsel for SBA Advocacy. "Their numbers show that they make significant economic contributions, so it is important that the role of these very small businesses be understood."

The paper issued, *The Nonemployer Startup Puzzle* by Zoltan Acs, Brian Headd, and Hezekiah Agwara, uses special tabulations produced by the U.S. Census Bureau's Nonemployer Statistics and funded by the U.S. Small Business Administration, Office of Advocacy. For data years 2002-2004, the Census Bureau matched nonemployers across years to determine entry and exit by major industry and state. Among the findings are the following:

- Nonemployer firms have entry rates about three times those of employer firms. Of existing companies in 2004, 34.3 percent of nonemployers were new and 12.6 percent of employers were new.
- Exit rates in the time period studied were lower but similar to entry rate levels for both nonemployers and employers.
- Entry and exit rates, collectively referred to as turnover, seem to be associated with an industry's economies of scale, or the amount of capital needed for entry. For example, mining, with high economies of scale, had low turnover rates, while services, with low economies of scale, had high turnover rates.
- The econometric model found, after controlling for population growth, that states' unemployment rates were positively correlated with nonemployer entry.

For a copy of the paper, visit the Office of Advocacy website at www.sba.gov/advo. ♦

SBA, Dell Launch New Educational Video Series to Help Small Businesses Grow, Create Jobs

Highlighting the experiences of successful entrepreneurs, the U.S. Small Business Administration and Dell have launched an online video series offering tools and strategies to help small business owners rebound from the economic recession and put themselves in a position to expand and create jobs. *Strategies for Growth: Advice for Expanding Your Business* includes real-world insight, solutions and advice from small business owners who've succeeded, in good and bad economic times. Additionally, the series draws on the expertise of counselors, policy makers and others for accessing resources and tools available to small business owners.

"Some of the best advice a small business owner can get is from other small business owners who've been in their shoes," SBA Administrator Karen G. Mills said. "They've dealt with the day-to-day challenges and found ways that worked for them to meet those challenges, pursue their life's dream and grow their business. This video series brings those real-life experiences together, along with information on other valuable resources and opportunities, in a way that will help other small business owners chart their own path to success."

The *Strategies for Growth* partnership with Dell was announced today at a National Press Club luncheon where Administrator Mills discussed the outlook for small business and the economy in the coming year, including the Administration's efforts to boost the small business sector and to drive economic recovery through public-private partnerships. Joining Administrator Mills for the announcement was Dell's Vice President of Government Affairs Becca Gould. "For Dell, partnering with groups like the SBA to share solutions for success is a significant way we support small businesses," said Becca Gould, vice president, Dell Government Affairs. "By featuring entrepreneurs winning in today's marketplace, this video series goes beyond advice to provide solutions for businesses looking to grow. Like Warren Brown, founder of Cake Love, others can learn from how technology helped his company maximize potential with online sales and adapt to the changing business environment."

The *Strategies for Growth* video series highlights key topics that engage small business owners in issues critical to small business growth. These areas include Planning for Growth, Government Contracting, Team Building, Marketing, Technology, Exporting Opportunities, and Disaster Recovery. Also featured is a Profiles of Success segment that spotlights two successful entrepreneurs.

The *Strategies for Growth* video series features a range of growing small businesses from across the country, including a design firm, a vegetarian restaurant and bakery, and a green construction company. They are:

- Grace Dittmar, Trusted Mission Solutions of McLean, Va.
- Warren Brown, CakeLove of Washington, D.C.
- Don Matzkin and Anthony Bracali, Friday Architects of Philadelphia, Pa.
- Juan and Luis Yépez, Mainstream Global of Lawrence, Mass.
- Ann-Marie Harrington, Embolden of Pawtucket, R.I.
- Laurie Benson, Inacom of Madison, Wis.
- Bryan Vulcan, FourFront Design of Rapid City, S.D.
- Avinash Rachmale, Lakeshore Engineering of Detroit, Mich.
- Jenna Sellmeyer and Jennifer Fogg, ASSET Group of Oklahoma City, Okla.
- Jesus & Luisa Mendoza, Mr. Natural of Austin, Texas
- Andrew Kruse, Southwest Windpower of Flagstaff, Ariz.
- Mary Tappouni, Breaking Ground Construction of Jacksonville, Fla.

The SBA provides free small business counseling and training through a variety of programs, services and resource partners, located throughout country. Each of the business owners featured in *Strategies for Growth* benefited from a variety of training and resource tools offered by the SBA.

Strategies for Growth is available on the SBA's Web site at <http://www.sba.gov/strategiesforgrowth> and at the SBA's YouTube channel at www.YouTube.com/sba. Each topic is indexed by subject and includes additional resources for entrepreneurs. ♦

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