

CLEVELAND DISTRICT OFFICE NEWS
INFORMATION FOR THE SMALL BUSINESS COMMUNITY

Loan Report as of July 31, 2010

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7(a) and 504 Loans Combined

| Bank | Number Approvals | Dollars (In Thousands) |
|-------------------------------|------------------|------------------------|
| Huntington National Bank | 299 | \$52,842 |
| KeyBank | 72 | \$14,261 |
| JPMorgan Chase Bank | 71 | \$11,506 |
| Charter One Bank/RBS Citizens | 52 | \$3,213 |
| FirstMerit Bank | 47 | \$8,060 |

504 Loans

| Bank | Number 504 Approvals |
|--------------------------|----------------------|
| FirstMerit Bank | 12 |
| Huntington National Bank | 11 |
| KeyBank | 9 |
| PNC Bank | 8 |
| JPMorgan Chase Bank | 6 |

| CDC | Number 504 Approvals | Dollars (In Thousands) |
|-------------------------------------|----------------------|------------------------|
| Growth Capital Corp. | 28 | \$12,119 |
| Cascade Capital Corp. | 17 | \$4,993 |
| Northwest Ohio Dev. Ass't. | 10 | \$2,702 |
| Lake County SBAC | 9 | \$2,138 |
| Stark Development Board | 8 | \$1,106 |
| Mahoning Valley Economic Dev. Corp. | 6 | \$5,107 |
| Mentor Economic Ass't Corp. | 4 | \$958 |
| Community Capital Dev. Corp. | 2 | \$1,523 |
| West Central Partnership | 2 | \$1,530 |
| Ohio Statewide | 1 | \$294 |
| SEM Resource, Inc. | 1 | \$1,473 |

In News for Our Lending Partners:

- Reminder Regarding Recovery Act Loan Documentation Requirements and Restrictions
- Secondary Market Sales by SBA Lenders



Small Business Workshops Held Around SBA Cleveland District

In July 2010, the SBA Cleveland District Office participated in six northern Ohio small business workshops sponsored by U.S. Senator Sherrod Brown. Seminars were held in Cleveland, Medina, Youngstown, Defiance, Toledo, and Canton Ohio. In addition to providing information on opportunities and assistance available for small and minority owned businesses, the sessions highlighted the loan programs of the SBA, selling to the government, export assistance programs, energy efficiency incentives for businesses, the Hire Act incentives, and health insurance reform. SBA Cleveland District Director Gil Goldberg provided opening remarks for the SBA portion of the event. Representatives from the Cleveland District Office also made presentations about Selling to the Federal Government, the 7(a) loan program and the 504 loan program. Speakers from the Department of Agriculture (USDA), U.S. Export Assistance Center, and the Internal Revenue Service (IRS) spoke about their agency programs. ♦



Members of Senator Sherrod Brown's staff and Gil Goldberg, SBA Cleveland District Director



District Director Goldberg presents to the attendees.



District Director Goldberg and Jesse Gannon of Senator Brown's Office with a participant



District Director Goldberg and the press



The workshops were well attended.



Sonya Wagasky, SBA Business Development Specialist, speaks about selling to the Federal government.



Congresswoman Marcy Kaptur

SBA Cleveland Participates in USDA Resource Fairs in Toledo and Huron

On July 12, 2010, the SBA Cleveland District Office participated in USDA Resource Fairs held in Toledo and Huron, Ohio. Congresswoman Marcy Kaptur (Ohio-9) hosted the events. The resource fairs were an opportunity for Toledo and Huron area small business owners, agricultural growers, and local community organizations to learn about a variety of Federal, state, and local financial programs. The sessions also provided valuable information on technical assistance programs and other resources. Gil Goldberg, SBA Cleveland District Director, spoke about SBA loan programs and services. Mark Ihenacho, of the SBA Office of Disaster Assistance, spoke about the SBA disaster loan program as it relates to recent tornado damage in the Toledo area. Jim Duffy, SBA Manager of Business & Economic Development and Tim Ensich, SBA Lender Relations Specialist, served on a panel of experts that discussed solutions for regional prosperity and interacted with the audience. ♦



Mark Ihenacho of the SBA Office of Disaster Assistance presents on the SBA Disaster Loan Program.



SBA Cleveland District Director Gil Goldberg



District Director Goldberg and an attendee



Cheryl Cook, Deputy Undersecretary of U.S. Department of Agriculture—Rural Development, speaks during the panel discussion

NEWS FOR OUR LENDING PARTNERS

Reminder Regarding 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.

SBA Information Notice 5000-1134 (effective date December 9, 2009), reminded SBA lenders and Certified Development Companies (CDCs) of these requirements and restrictions. However, early reviews by SBA's Office of Inspector General and purchase reviews conducted by the National Guaranty Purchase Center have identified deficiencies related to Recovery loan documentation.

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

For 7(a) loans with the increased guaranty, the borrower must certify in writing as follows:

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 the notice published in the Federal Register on June 8, 2009 at 74 FR 27199, 27200.)

For all Recovery loans, the borrower must certify as follows:

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. Documentation for acceptable uses of Recovery Act funds includes the following items:

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.

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.

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:
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
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 loans is complete and accurate. The lack of documentation slows the purchase process and can lead to a possible repair if the lender or CDC is unable to produce the required certifications.

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NEWS FOR OUR LENDING PARTNERS *(continued from page four)*

Secondary Market Sales by SBA Lenders

This procedural notice is a re-issuance of SBA Information Notice No. 5000-1106 entitled "Secondary Market Sales by SBA Lenders". (Originally issued on May 22, 2009.) SBA is re-issuing this notice pending its incorporation in the Monitoring Supervision, and Enforcement SOP. Under this notice, when an SBA Lender is subject to a Cease & Desist order or other supervisory action that cites unsafe and unsound banking practices or other items of concern to SBA, or to the extent the SBA learns that an SBA Lender's auditor issues a Going Concern opinion in the audited financial statements; SBA will evaluate the additional risk associated with the SBA Lender's secondary market sale in determining whether to provide SBA's prior written consent.

The text of the original notice follows:

In recent months, Federal financial institution regulators have taken a number of supervisory actions including issuing Cease & Desist orders against financial institutions, including some SBA lenders, for a variety of unsafe and unsound banking practices. Many of these Cease & Desist orders cite banking practices that are detrimental to the SBA Lender and its owners or shareholders. In certain instances the federal financial institution regulator has called into question the institution's ability to remain financially viable. In addition, auditors of some SBA Lenders have questioned the viability of the SBA Lender by issuing a Going Concern opinion within the Lender's audited financial statements.

When SBA Lenders subject to supervisory actions, including Cease & Desist orders, sell the guaranteed portion of their loans into SBA's secondary market, this action can have a significant impact on SBA's ability to manage program risk. If the SBA Lender is taken over by the Federal Deposit Insurance Corporation, SBA is less likely to receive the full amount of loan recoveries. If, on post-purchase review, SBA denies liability on a loan, either fully or partially, the risk of non-recovery from a lender in receivership becomes even greater. In such a case, SBA is not likely to receive its entitled reimbursement of the portion of the purchase amount denied from the failed institution.

An active secondary market that provides SBA Lenders with liquidity to make new small business loans is an important component of the economic recovery. However, SBA must balance that objective against the need to protect SBA and taxpayers from risk of loss. Consequently, when an SBA Lender is subject to a Cease & Desist order or other supervisory action that cites unsafe and unsound banking practices or other items of concern to SBA, or to the extent the SBA learns that an SBA Lender's auditor issues a Going Concern opinion in the audited financial statements; SBA will evaluate the additional risk associated with the SBA Lender's secondary market sale in determining whether to provide SBA's prior written consent. In order to conduct that evaluation, SBA may, among other things, conduct an on-site risk-based review of the financial institution and the credit quality of its loans, analyze the SBA lender's financial performance and SBA loan portfolio, and/or request additional information and documentation from the financial institution. Depending on the results of this evaluation, SBA may not approve the sale of loans in the secondary market, or may require an escrow account be established or other financial assurances be provided to cover potential losses resulting from repairs and denials and to mitigate risk.

SBA recognizes that this action may affect the timing of negotiated loan settlements and secondary market sales. Therefore, if an SBA lender is subject to a supervisory action citing unsafe and unsound banking practices, including a Cease and Desist Order, or a Going Concern opinion from its independent financial statement auditor, and wishes to sell loans into the secondary market, it must notify SBA within five business days (or as soon as practicable thereafter) of the issuance of the action or opinion, or immediately if pre-existing, and provide copies of the relevant documents to SBA for review, preferably prior to negotiating secondary market sales. SBA is committed to perform its evaluation as quickly as possible to minimize settlement delays. This evaluation would generally be commenced within 14 days of an SBA Lender notifying SBA of a Cease and Desist order or other supervisory action or if a Going Concern opinion is included in the audited financial statements or the SBA Lender's interest in selling loans in the secondary market. SBA believes that such evaluations may help reinforce investor confidence in the secondary market. However, the evaluations are solely for SBA's purposes and should not be relied upon by others. ***If you have any questions on this or any SBA loan matter, please contact our Lender Relations division at (216) 522-4180.*** ♦

SBA Offers New Podcasts to Help Small Businesses Break into the Global Market

The U. S. Small Business Administration is now offering a new set of three export-oriented podcasts offering valuable information on issues and challenges small business exporters may find when dealing with specific countries. The podcasts, featuring interviews with business representatives from Uganda, Cameroon and Bahrain, are part of a comprehensive effort by SBA to promote and support the President's National Export Initiative. The interviews focus on what U.S. companies can expect when exporting to those countries and provide information relevant to their respective business and import environments. The podcasts on Uganda and Cameroon include interviews with two women business owners who are members of the African Women's Business Network, an organization that supports a network of business-women's organizations in Africa. The podcast on Bahrain features an interview with an official of the Bahrain Chamber of Commerce. The podcasts are available online at <http://www.sba.gov/tools/audiovideo/Podcasts/index.html> and include transcripts. They provide valuable information on country infrastructure, types of U.S. products and services in demand, cultural tips on how to do business, and other relevant issues. In his State of the Union Address on Jan. 27, 2010, President Obama announced the National Export Initiative, as part of an effort to promote and achieve long-term, sustainable economic growth for the United States. The president has a goal of doubling exports over the next five years, an increase that will support 2 million American jobs. The SBA is committed to supporting NEI by offering American small businesses the resources they need to break into and succeed in the global market.

In addition to the new online tools, SBA resource partners – Small Business Development Centers, Women's Business Centers and SCORE – as well as U.S. Export Assistance Centers are available to assist small businesses who are interested in exporting in every U.S. state and territory. These resource partners can help entrepreneurs identify potential export markets, facilitate export transactions, develop links between United States small business and pre-screened foreign buyers, advise on participation in international trade shows, assist in obtaining export financing and developing or reorienting marketing and production strategies. In addition to counseling resources in every state and territory there are export specialists available at the eight International Trade Export Assistance Centers and SCORE online international trade advisers. There are 19 U.S. Export Assistance Centers located in major metropolitan areas throughout the United States. USEACs are one-stop shops ready to provide small- or medium-sized businesses with personalized local export assistance by professionals from the U.S. Small Business Administration, the U.S. Department of Commerce, the U.S. Export-Import Bank and other public and private organizations. For more information on USEACs, please visit <http://www.sba.gov/aboutsba/sbaprograms/internationaltrade/useac/index.html>. ♦

Healthcare and Small Business Owners

by Marianne Markowitz, SBA Regional Administrator

For decades, America's small business owners have asked for more affordable health insurance coverage and more tax relief. The new health reform law – the Affordable Care Act – provides both.

First, it offers tax credits for small employers who pay at least half of their employees' health insurance premiums. Starting this year, businesses with less than 25 employees who make an average of \$50,000 or less may be eligible for a credit of up to 35 percent of the premiums they pay on their employee's behalf. For small nonprofits, it's up to 25 percent. In 2014, those credits will increase to up to 50 percent and 35 percent, respectively.

Also in 2014, health insurance "exchanges" for small businesses will open in every state.

Currently, small businesses pay as much as 18 percent more than large firms for the same coverage. The exchanges will allow businesses with as many as 100 employees to pool their risk together, lower their administrative costs, and negotiate more effectively with insurance companies. According to the Congressional Budget Office, this could help drive down premiums by as much as 4 percent in the marketplace of small-business health plans. The tax credits and the exchanges are just two of the new tools that will help small businesses get health insurance, some for the first time.

Even if a small business owner with 50 or fewer employees still decides not to buy health insurance with these incentives, there is no penalty. They're exempt from the employer responsibility provision of the new law. In this case, small business workers will be able to use *individual* tax credits to shop for insurance in the exchanges. And it's important to note that 96 percent of businesses with more than 50 employees already offer coverage.

Finally, the new law will go a long way toward strengthening America's entrepreneurial spirit, overall. For example, it will outlaw pre-existing conditions **clauses**, giving more Americans the ability to break out of "job lock" and start their own companies. Prospective entrepreneurs shouldn't be held back just because they fear losing their employer-sponsored coverage. The new law will also prohibit insurance companies from dramatically increasing premiums for a small business just because one worker gets sick.

Overall, the Affordable Care Act is a critical tool that will help millions of small business owners provide health insurance to people who they often consider to be members of their extended family – their employees. As a nation, we owe them nothing less as they work to grow, create jobs, and lead us toward full economic recovery. For more information about how the Affordable Care Act will help your small business, visit www.healthcare.gov. ♦

Overhauled SBA Website to Go Live in the Fall Revamped SBA.gov will deliver essential information and services to small business owners

The U.S. Small Business Administration announced that a complete redesign of its website, SBA.gov, will launch this fall. The new SBA.gov will make it easier for small businesses, lending institutions, small business counselors and other members of the small business community to more quickly find the information they need through a simplified navigation structure. In addition, new features will allow users to tailor their experience to provide information that is specific to their needs and location. The new website also will offer a dedicated lender area that helps banks and other financial institutions that partner with the SBA.

The website redesign is part of the SBA's goal to create a dynamic online presence that delivers information to customers wherever they are online. To achieve this goal, the agency recently began using social media to reach constituents through a variety of online channels such as Facebook and Twitter. The agency also recently launched an improved search function on the current SBA.gov website which vastly improves the speed at which users can find the information they are looking for in advance of the launch of the new site this fall. The website redesign is also the Flagship Initiative of the SBA's Open Government Plan and addresses all three of the agency's Open Government goals – transparency, participation and collaboration – by providing direct access to agency programs and operations, allowing users to customize their online experience, and, beginning next year, incorporating community features such as discussion forums and public feedback tools. For more information on the SBA's online expansion, please visit www.sba.gov/next. ♦



The Affordable Care Act – Learn about the tax provisions of recent health care legislation

Presented by
Small Business/Self-Employed Division
Date: September 9, 2010 (archived* for later viewing)
Time: 2 p.m. Eastern

This FREE webinar is for:

- Tax Professionals
- Small business owners

Learn about Affordable Care Act including:

- Current tax provisions
- What IRS is doing to educate the public
- Where to find future updates

Earn Continuing Professional Education credit:

- Enrolled agents receive one CPE credit for participating for a minimum of 50 minutes from the start of the webinar.
- Other tax professionals may receive credit if the webinar meets their organization's or state's CPE requirements
- To receive credit, you must attend the live webinar on September 9, for a minimum of 50 minutes. Register for the webinar using your e-mail address and use the same e-mail address when you log in to attend. This will confirm your attendance and generate your Certificate of Completion.
- Groups can not register with one e-mail address and then receive separate Certificates. If certificates are needed, each person *must* register separately.
- Only September 9, 2010 participants will receive credit. If you do not need a certificate to obtain CPE credit, you may choose to view the archived version of the webinar. Watching the archive does not qualify you to receive a certificate of completion
- Look for your Certificate of Completion by e-mail approximately one week after the webinar. If you have met all requirements, you will receive your certificate automatically.

How to register for the session:

- Click on the link to register:
<http://www.visualwebcaster.com/IRS/70323/reg.asp?id=70323>

General information:

- Visit www.irs.gov and search [Webinars](#) for information on other programs available.
- If you experience difficulty viewing the event, please use the e-mail option on the event page or call 866-956-4770.
- The event will be [archived](#) for later viewing.