

Inside This Issue:

Loan Report	1
News for Our Lending Partners	2
Invitation to the Seventh Annual Veteran Business Symposium	4
SBA Proposes Revision of Size Standards	5
SBA Administrator's Statement on President Obama's Proposal to Raise SBA Loan Limits	5
New SBA Online Contracting Course for Women Launched	6
Wanted: National Small Business Week Nominees	6
SBA Cleveland Monthly Training Information	6

In News for Our Lending Partners:

- *New Maximum Allowable Fixed Rate for 7(a) Loans*
- *1st Quarter "Peg" Rate*
- *Re-issuance of Procedural Notice 5000-1065*



Loan Report as of October 31, 2009

7(a) and 504 Loans Combined

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	21	\$2,718
KeyBank	8	\$1,604
JPMorgan Chase Bank	7	\$827
FirstMerit Bank	5	\$290
CFBank	4	\$920

504 Loans

Bank	Number 504 Approvals
Fifth Third Bank	2
First National Bank	2
FirstMerit Bank	1
Huntington National Bank	1
KeyBank	1
Zions First National Bank	1

CDC	Number 504 Approvals	Dollars (In Thousands)
Growth Capital Corp.	3	\$1,110
Northwest Ohio Dev. Ass't.	2	\$707
Cascade Capital Corp.	1	\$83
Community Capital Dev. Corp.	1	\$245
Stark Development Board	1	\$84

NEWS FOR OUR LENDING PARTNERS

New Maximum Allowable Fixed Rate for 7(a) Loans

Agency regulations at 13 CFR 120.213(a), Fixed Rates for Guaranteed Loans, state the following: "A loan may have a reasonable fixed interest rate. SBA periodically publishes the maximum allowable rate in the FEDERAL REGISTER." On October 1, 2009, SBA published a notice in the Federal Register announcing the new maximum allowable fixed rate on 7(a) loans (other than SBA Express and Export Express). (74 FR 50263)

For a number of years, the SBA maximum allowable fixed rate has been based on the Prime rate. In order to provide small businesses with an opportunity to lock in the fixed interest rates available in the market today, SBA is revising how the maximum allowable fixed rate is calculated. Effective October 1, 2009, the SBA maximum allowable fixed rate for 7(a) loans (other than SBA Express and Export Express loans) will utilize a new base rate for fixed rate loans (Fixed Base Rate) plus the maximum allowable spreads that are already being used on variable rate loans.

The new Fixed Base Rate for a 7(a) guaranteed loan (other than SBA Express and Export Express) is calculated as follows:

- 1) The SBA LIBOR Base Rate (defined in 13 CFR 120.214 as the 1-month LIBOR in effect on the first business day of the month as printed in a national financial newspaper each business day PLUS 300 basis points), plus
- 2) The average of the 5-year and 10-year LIBOR swap rates in effect on the first business day of the month as printed in a national financial newspaper published each business day.

Thus, the maximum allowable fixed rate for 7(a) loans (other than SBA Express and Export Express) will be the Fixed Base Rate plus the allowable interest rate spreads identified in 13 CFR 120.214 (d) and (e) and 13 CFR 120.215. (For SBA Express and Export Express loans, the maximum allowable interest rate is the prime rate plus 6.5 or 4.5, depending on the loan amount. See SOP 50 10 5(B), Subpart B, Chapter 3. SOP 50 10 5(B) may be found at <http://www.sba.gov/aboutsba/sbaprograms/elending/reg/index.html>.)

The following is an example of the calculation for 7(a) loans (other than SBA Express and Export Express) submitted to SBA in September 2009 if the new process had been in place:

- 1) The SBA LIBOR Base Rate for September was 3.26.
- 2) The 5-year LIBOR swap rate on the first business day of September as published in a national financial newspaper was 2.72 (rounded to the second decimal). The 10-year LIBOR swap rate on the first business day of September as published in a national financial newspaper was 3.60 (rounded to the second decimal). The average of these two rates is 3.16.

The SBA Fixed Base Rate for September 2009 would have been 6.42 [3.26 (SBA LIBOR Base Rate) + 3.16 (average of 5-year and 10-year LIBOR swap rates)].

Thus, the maximum allowable fixed rates for September would have been:

For 7(a) loans with a maturity less than 7 years: 6.42 (SBA Fixed Base Rate for September) + 2.25 (maximum spread for loans with a maturity less than 7 years) equals 8.67 (maximum allowable fixed rate). If the loan amount is over \$25,000 but not exceeding \$50,000, the maximum fixed rate may be increased by one percentage point. If the loan amount is \$25,000 or less, the maximum fixed rate may be increased by two percentage points.

For 7(a) loans with a maturity of 7 years or more: 6.42 (SBA Fixed Base Rate for September) + 2.75 (maximum spread for loans with a maturity of 7 years or more) equals 9.17 (maximum allowable fixed rate). If the loan amount is over \$25,000 but not exceeding \$50,000, the maximum fixed rate may be increased by one percentage point. If the loan amount is \$25,000 or less, the maximum fixed rate may be increased by two percentage points.

The maximum allowable fixed rates will be calculated by SBA monthly and posted at www.sba.gov/aboutsba/sbaprograms/elending as well as at www.colsonservices.com.

The mechanism to calculate the maximum allowable fixed rates identified in this Notice will be used to develop the maximum rates for 7(a) applications (other than SBA Express and Export Express) received by SBA on or after October 1, 2009. A new rate will be calculated monthly and put on the web site on the second business day of the month. *(continued on page 3)*

News for Our Lending Partners *(continued from page 2)*

1st Quarter "Peg" Rate

The optional peg rate for fluctuating interest rates on guaranty loans is 4 percent (4.000%) for the October - December quarter of FY 2009.

Re-issuance of Procedural Notice 5000-1065

SBA Procedural Notice 5000-1065, "Additional Requirements when a 504 Borrower's Equity Contribution Contains Borrowed Funds" (effective date August 1, 2008) established temporary procedures for a period of 6 months beginning on August 18, 2008. These procedures were established in order to collect data on all 504 loan applications where any portion of the applicant's equity contribution is borrowed. SBA Procedural Notice 5000-1095 (effective date February 24, 2009) extended the original expiration date to August 18, 2009, in order to collect additional data.

For the purpose of additional review, Notice 5000-1129 was recently released to extend the expiration date to September 30, 2010. The text of SBA Procedural Notice 5000-1065 has been largely reprinted below for your convenience, with the dates and Standard Operating Procedure (SOP) references updated to reflect the new expiration date and the newest version of SOP 50 10 5.

"The purpose of this Notice is to temporarily modify U.S. Small Business Administration (SBA) policy for 504 loan transactions where the borrower's equity contribution is borrowed. A common example of this is the use of the proceeds of a Home Equity Line of Credit (HELOC) loan as all or part of the borrower's equity contribution. SBA's SOP 50 10 5 (B) - Lender and Development Company Loan Programs, Subpart C, Chapter 1, Paragraph IV. C.7 states the following:

7. If the borrower's equity contribution is borrowed:
 - a. Any lien position on the Project Property must be subordinate to the 504 loan;
 - b. The borrower may not pay the loan for the equity contribution at a faster rate than the 504 loan
 - c. [\(13 Code of Federal Regulations \(CFR\) 120.912\)](#); and
If the borrowed equity is collateralized by assets other than the Project Property, the borrower must demonstrate repayment of the loan for the equity contribution from sources other than the cash flow of the business. (Note: The salary of the business owner does not qualify.)

This Notice will temporarily suspend the implementation of provision c) above until September 30, 2010. SBA intends to continue to collect data on this issue and provide guidance as necessary.

During this period, the Sacramento Loan Processing Center (SLPC) will collect data on all 504 loan applications where any portion of the applicant's equity contribution is borrowed. Therefore, the following procedures will be in place until September 30, 2010:

1. The Certified Development Company (CDC) must determine whether any portion of the equity injection is borrowed, and, if so, ask the applicant if there is an additional source of repayment other than the funds from the applicant business that could be used to repay the borrowed equity
2. SBA will collect the source of equity injection information for all loans where any portion of the equity injection is borrowed.

SBA will develop a database that provides information on the portion of the portfolio that does not provide a 10 percent or greater equity injection in the form of cash. The industry has asserted to SBA that there are a number of businesses that have ample cash flow and such a sound financial position that making a loan that is essentially 100 percent financing does not present an unacceptable risk. The collection of this information on the borrowed equity will permit the Office of Financial Assistance and the Office of Credit Risk Management to develop an understanding of the scope of this issue and provide the Agency with the background necessary to develop appropriate policy.

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

SBA Cleveland District Office Program Staff

Gil Goldberg, District Director

216-522-4180

Business Development Staff:

James Duffy ext. 218
John L. Renner ext. 211
Sonya Wagasky ext. 202

Lender Relations Staff:

James Donato ext. 215
Timothy Ensck ext. 213
Mark Hansel ext. 230
Thomas Sangrik ext. 214



*You are invited to the
Seventh Annual*



*November 10, 2009, 7:30 – 3:00
Kent State University Student Center
Kent Ohio*

Key Note Luncheon Speaker:

**LTC Tom Lippert, Commander
Defense Contracts Management Agency Cleveland**

This event is being offered to provide area Veterans with an opportunity to:

- Learn from [a variety of business development resources](#)
- Network with [Federal and State buying activities](#)
- Benefit from [Government contracting workshops](#)
- Meet with [Government, Prime Contractor and Private Industry Buyers](#)

Register Now by going to:

www.lcport.org

and then click on the Veteran Business Symposium link on the lower left

**\$40 per attendee includes breakfast, lunch
and a great day of training and networking!**

Contact: Jane Stewart, NEO-PTAC

jstewart@lcport.org 440-357-2294

Presented by:

**The Ohio Procurement Technical Assistance Centers and the Veterans Business Council of Northern Ohio in cooperation with
the U.S. Small Business Administration**

SBA Proposes Revision of Size Standards to Expand Opportunities for Small Businesses

The U.S. Small Business Administration is proposing increases in the size definitions for three broad commercial sectors. The proposed increases cover size standards for 71 different types of businesses, two-thirds of them in retail trade sectors. The rest are in accommodations and food services, and other services. The changes, if adopted, will expand eligibility to small businesses and help them gain access to SBA's financial assistance, contracting and other programs.

"SBA has undertaken a comprehensive review of our size standards to ensure they are current and reflect changes in the economy and the marketplace," SBA Administrator Karen Mills said. "SBA's lending and government contracting programs provide effective opportunities for small businesses to help them expand and create jobs, especially during these tough economic times. This review and proposed changes will help make these critical programs available to more small businesses and ensure SBA is in a position to be a real partner in helping our nation's entrepreneurs and small business owners succeed."

SBA recognizes that in some industries, existing size standards have been affected by changes in industry structure, market conditions and business models. SBA is therefore conducting a comprehensive review of all its small business size standards, and these three proposed rules are the first in the series. SBA is examining every industry to ensure that existing size standards are based on current economic data and SBA will propose to revise those where it believes it is necessary. The newly proposed rules give the public an opportunity to review and comment on SBA's proposed standards as well as on the data and methodology that SBA uses to evaluate and revise size standards.

Before this comprehensive review, the last overall review of size standards occurred more than 25 years ago. Since then, most reviews of size standards have been limited to in-depth analyses of specific industries requested by the public and federal agencies. The SBA also makes periodic inflation adjustments to its dollar-denominated size standards. The latest inflation adjustment to size standards was published in the Federal Register on July 18, 2008.

Comments can be submitted on this proposed rule on or before Dec. 21, 2009, to www.regulations.gov, where they will be posted, or mailed to Khem R. Sharma, chief, Size Standards Division, 409 3rd St. SW, Mail Code 6530, Washington, DC 20416, or via e-mail at: sizestandards@sba.gov. ♦

Statement by SBA Administrator Karen Mills on President Obama's Proposal to Raise SBA Loan Limits

The U.S. Small Business Administration today issued the following statement by SBA Administrator Karen Mills on today's proposal by President Barack Obama to raise the maximum loan size for SBA-backed loans to small business: America's 29 million small businesses have been hard hit in this recession. Nine months ago, President Obama sent small businesses a life line: the American Recovery and Reinvestment Act. Since then, the SBA has supported more than 33,000 loans for a total of almost \$13 billion in small business lending. This has helped save or create tens of thousands of jobs. "But there is much more work to be done, which is why President Obama today pledged his support for legislation that would increase the maximum size of some SBA loans. Increasing maximum loan sizes will allow the SBA to ensure that more small business owners and entrepreneurs can get access to the credit they need to expand their operations and create jobs. The President also announced additional support from the Treasury Department for smaller community lenders that are committed to increasing their lending to small businesses. Secretary Geithner and I will host a conference on small business lending with Members of Congress, regulators, lenders and the small business community. The conference will discuss additional efforts that can be taken to provide small businesses with access to credit. These steps, coupled with SBA's ongoing efforts, will help small businesses grow and create jobs throughout America." Specifically, President Obama called for:

- Increasing the size of SBA's 7(a) loan from \$2 million to \$5 million.
- Increasing the size of SBA's 504 loan from \$2 million to \$5 million for standard borrowers (supporting a total project of \$12.5 million) and from \$4 million to \$5.5 million for manufacturers (supporting a total project of \$13.75 million).
- Increasing the size of SBA's Microloan from \$35,000 to \$50,000.

A copy of the President's remarks and a fact sheet on the announcement can be found at: http://www.sba.gov/idc/groups/public/documents/sba_homepage/sba_rcvry_obama_evnt_remrks09.pdf. A fact sheet on the proposal can be found at: http://www.sba.gov/idc/groups/public/documents/sba_homepage/sba_rcvry_new_effort_credit_sb.pdf ♦

SBA Launches New Online Training Course: Winning Federal Contracts – A Guide for Women Entrepreneurs

Women who own small businesses will be able to use a new online U.S. Small Business Administration training course to learn how to identify and take advantage of federal contracting opportunities. The new training course, *Winning Federal Contracts: A Guide for Women Entrepreneurs*, is part of an ongoing government-wide initiative to promote opportunities for women-owned businesses in the area of government contracting.

This free online tutorial is a practical and easy to use guide that walks a woman-owned small business through the contracting process. SBA is committed to ensuring that women-owned businesses receive at least 5 percent of federal contracts and believes better training opportunities are central to meeting this government-wide goal.

“Federal contracts can provide unique opportunities for women entrepreneurs and small business owners to grow their businesses and create jobs, particularly during these tough economic times,” Administrator Karen Mills said. “It’s also a win for federal agencies, by contracting with women-owned small businesses; they are working with some of the most innovative and dynamic companies in the country.”

The SBA’s Office of Women’s Business Ownership oversees a national network of more than 100 Women’s Business Centers (WBCs) that provide education and training to help women start and grow small businesses. In addition, the SBA has 68 district offices and other resource partners throughout the country available to train and counsel women-owned small businesses and entrepreneurs seeking government contracts.

“This online training course makes critical information and training available to an even wider array of women entrepreneurs and small business owners,” said Ana Harvey, assistant administrator for SBA’s Office of Women’s Business Ownership. “SBA wants to help ensure they have the tools and resources they need to compete for and win federal contracts.”

The *Winning Federal Contracts* course is designed to help women entrepreneurs learn about the federal procurement process and to prepare them to compete for contracting opportunities. The self-paced guide uses audio and script to provide information about contract rules, how to sell to the government and where to find contracts. The *Winning Federal Contracts* course is available on SBA’s Web site at www.sba.gov or directly at www.sba.gov/fedcontractingtraining. It is indexed by subject matter, and includes direct links to additional contracting resources ♦

WANTED: National Small Business Week Nominees

In recognition of the small business community’s contribution to the American economy, the President of the United States designates one week each year as **National Small Business Week**. As part of this special week, SBA presents awards to deserving entrepreneurs and small business champions/advocates at the district, state and national levels. We are already beginning our preparations for Small Business Week ’10, but we need your help making the week a success! We are seeking nominees for the awards that will be distributed during Small Business Week.

If you know of someone deserving of consideration for these prestigious awards, please contact Jim Donato at (216) 522-4180, ext. 215. Jim can provide details of the nomination process. We hope to accept applications for various award categories, including Small Business Person of the Year, Small Business Exporter of the Year, Financial Services Champion of the Year, Minority Small Business Champion of the Year, Women in Business Champion of the Year, Veteran Small Business Champion of the Year, SBA Family-owned Small Business of the Year, and others.

We know we have great small businesses and small business champions here in the area – let’s see if we can get one recognized at the National level during **Small Business Week ’10!!!** ♦

The Cleveland District Office holds monthly training for banks and the general public to acquaint them with SBA programs and services:

Government contracting briefing—Briefings take place in our suite on the 2nd floor of 1350 Euclid, Cleveland, on the second Friday of the month between 10 a.m. and noon. No registration is necessary.

Loan program briefing—Briefings take place the 3rd Thursday of the month in our suite between 10 a.m. and noon. Registration is required. To reserve your seat, call (216) 522-4180.

Loan packaging training for bankers—Meetings are held between 10 a.m. and noon in our suite on the last Wednesday of the month. Registration is required. Call (216) 522-4180 for a reservation.