

CLEVELAND DISTRICT OFFICE NEWS
INFORMATION FOR THE SMALL BUSINESS COMMUNITY

In this Issue:

Loan Report	1
News for Our Lending Partners	2
SBA Cleveland Presents at Akron SCORE Workshop	3
Monthly Seminars Held by SBA Cleveland District Office	3
SBA Implements Higher Maximum Loan Sizes Made Possible by Small Business Jobs Act	4
SBA Finalizes Revisions of Size Standards to Expand Opportunities for Small Businesses	4

In News for Our Lending Partners:

- Loan Agent Data Submission for 7(a) Loans
- Announcement of the new Lender Supervision and Enforcement\ Standard Operating Procedures (SOP) 50 53
- Issuance of SOP 50 51 3 for 7(a) and 504 Loan Liquidation
- Secondary Market Changes Resulting from Small Business Jobs Act of 2010



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Loan Report as of October 31, 2010

7(a) and 504 Loans Combined

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	54	\$8,806
KeyBank	17	\$5,262
FirstMerit Bank	7	\$2,179
JPMorgan Chase Bank	6	\$2,179
Superior Financial Group	6	\$65

504 Loans

Bank	Number 504 Approvals
KeyBank	3
FirstMerit Bank	2
JPMorgan Chase Bank	2
Lorain National Bank	2
Consumer's National Bank	1
Croghan Colonial Bank	1
Huntington National Bank	1
Portage Community Bank	1

CDC	Number 504 Approvals	Dollars (In Thousands)
Growth Capital Corp.	6	\$3,452
Stark Development Board	2	\$1,050
Cascade Capital Corp.	1	\$506
Lake County SBAC	1	\$1,048
Mahoning Valley Economic Dev. Corp.	1	\$370
Ohio Statewide	1	\$369
SEM Resource, Inc.	1	\$446

NEWS FOR OUR LENDING PARTNERS

Loan Agent Data Submission for 7(a) Loans

Many lenders utilize loan agents as a means of generating SBA loans and pay the loan agents a fee for their services. SBA believes it is prudent to ascertain whether the performance of loans generated by loan agents is different from that of loans generated through a lender's internal lending channels. Accordingly, the purpose of this Notice is to announce a new process for SBA to identify loans generated through loan agents, e.g., packager, broker, and referral agent; and compile data on loan agents into a centralized database.

SBA currently requires 7(a) loan applicants to disclose loan agents' names, business addresses, the services the loan agents provided in a 7(a) loan transaction, and the related fees rendered for their services. This information is currently disclosed on the Fee Disclosure Form and Compensation Agreement, SBA Form 159, prepared for each loan involving payment for loan agent services and is maintained in the lenders' files.

Beginning with 7(a) loans approved on or after December 1, 2010, SBA, through Colson Services Corporation ("Colson"), its fiscal and transfer agent, is requiring lenders to submit an SBA Form 159 7(a) on loans that involve payment of fees to a loan agent(s). This submission is only required once at the time of initial loan disbursement and should be submitted in conjunction with a lender's 1502 report for the month.

The information may be submitted to Colson either by facsimile or by electronic document imaging utilizing either the Portable Document Format (.pdf) or the Tagged Information Format (.tif). Lenders may either fax the document to Colson at (718) 315-5170 or e-mail the pdf/tif file to Form159@colsonservices.com. Submission of the information by overnight mail and postal service delivery is discouraged. Lenders are required to retain an original signature version of the form in their files for compliance review purposes.

The new process will be incorporated into the next edition the SBA Standard Operating Procedures 50 10 5. Lender questions on this process are to be directed to the SBA Lender Relations Specialist in the local SBA District Office.

Announcement of the new Lender Supervision and Enforcement\Standard Operating Procedures (SOP) 50 53

The Small Business Administration's (SBA's) Office of Credit Risk Management recently issued the Lender Supervision and Enforcement SOP 50 53. The SOP was effective on October 1, 2010.

SOP 50 53 establishes SBA's procedures for supervision of and enforcement actions for SBA's 7(a) lenders, Certified Development Companies (CDCs), and Microloan Intermediaries (collectively referred to as Lending Partners), as it relates to their SBA lending operations. The SOP provides general guidance to assist OCRM in monitoring and overseeing SBA's Lending Partners. The SOP also provides guidance on enforcement actions the agency may take in response to violations of law, rules, regulations, agency notices and/or unsafe and unsound practices or conditions for these entities. SOP 50 53 also addresses monitoring of Non-Lending Technical Assistance Providers (NTAPs) along with enforcement procedures for NTAPs and Loan Agents that participate in SBA's financial assistance programs.

SOP 50 53 is intended to be flexible to take into account individual facts and circumstances. It does not intend that every factor or step must always be applied in making supervisory and enforcement decisions. SBA will use this guidance along with judgment and Agency discretion in making supervisory and enforcement determinations.

Issuance of SOP 50 51 3 for 7(a) and 504 Loan Liquidation

The Office of Financial Assistance (OFA) announces the issuance of a complete revision of Standard Operating Procedure (SOP) 50 51 that will be designated as SOP 50 51 3 and will be effective on November 15, 2010. This revision is part of OFA's ongoing modernization and simplification efforts for loan program policies and procedures.

The old version of SOP 50 51 has not been extensively updated in over 10 years. The changes contained in this revised version take into account the fact that SBA's liquidation regulations and policy have been substantially modified over the years.

This, and all loan related SOPs, can be viewed at: <http://www.sba.gov/aboutsba/sbaprograms/elending/reg/index.html>

(continued on page three)

Monthly Seminars Held by the SBA Cleveland District Office for the Public and Lenders:

Government contracting briefing— Briefings take place in our suite on the 2nd floor of 1350 Euclid, Cleveland, on the second Friday of the month

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.

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

Secondary Market Changes Resulting from Small Business Jobs Act of 2010

Program Extension of SBA's 504 First Mortgage Loan Program. Section 1119 of the Jobs Act provided a program extension for the SBA 504 First Mortgage Loan Pool ("FMLP") program. The FMLP program was established in Section 503 of the American Recovery and Reinvestment Act of 2009 and was set to expire on February 16, 2011.

The program now is set to run through September 23, 2012, which is two years after the date of the first sale of an SBA-guaranteed pool of first lien position loans in the FMLP program.

Sales of Split 7(a) Loan Guarantees in SBA Loan Pools. Under Section 1117 of the Jobs Act, the Administrator can approve a request by a pool assembler to partition loan guarantees into \$500,000 increments, with one residual increment of less than \$500,000, for sale into secondary market loan pools. The law allows only one loan increment from a loan to be included in any one pool. However, loan increments from loan guarantees to different borrowers can be assembled within the same loan pool. SBA plans to issue guidance soon on the implementation of this provision. ***If you have any questions on this or any other SBA loan matter, please contact our Lender Relations division at (216) 522-4180. ♦***

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SBA Cleveland Presents at Akron SCORE Workshop



On October fourth, Mark Hansel (pictured center) of the SBA Cleveland District Office discussed SBA lending and borrowing at a public seminar held by the Akron SCORE chapter. Tom Duke and Hans Ropers, Akron SCORE counselors (left and right, respectively), provided attendees with insight on the basics of the marketing plan. The two hour event took place at the Wooster Public Library. ♦

SBA Implements Higher Maximum Loan Sizes Made Possible by Small Business Jobs Act

On the heels of completing final approvals of loans to nearly 2,000 firms that has been in its loan queue waiting for final approval of the Small Business Jobs Act, the U.S. Small Business Administration has finished implementation of another major element of the bill: increasing maximum sizes in several of its loan programs. The changes – effective October 8 – are permanent for general small business loans under SBA's 7(a) guaranteed loan program, fixed asset loans through the 504 Certified Development Company program, Microloans, and International Trade, Export Working Capital and Export Express loans. A temporary increase for SBA Express loans is good for one year.

Under the Jobs Act provisions, SBA has permanently increased 7(a) and 504 limits from \$2 million to \$5 million, and for manufacturers and certain energy-related projects seeking 504 loans, to \$5.5 million. The maximum for International Trade and Export Working Capital loans also has been increased from \$2 million to \$5 million. SBA also permanently increased microloan limits from \$35,000 to \$50,000, helping larger entrepreneurs with start-up costs and small business owners in underserved communities. It also raised the limit on Export Express loans, from \$250,000 to \$500,000, and made the program permanent. SBA Express loan limits have been temporarily raised from \$350,000 to \$1 million for one year. These loans offer a streamlined application process with reduced paperwork and approval often in a matter of days. Unlike traditional 7(a) loans, SBA Express loans carry a 50 percent guarantee and can be used as revolving lines of credit – to help restock inventories and support larger revenue sales – which are particularly critical for small businesses as they emerge out of the recession.

SBA's own trends show increasing demand for larger loans. The percentage of lending volume for guaranteed loans greater than \$1.5 million has grown, from 13 percent of total dollars approved in fiscal year 2005 to 21 percent in fiscal year 2010, with many loans actually at the \$2 million maximum. In the 504 program, the percentage of loan volume committed to loans greater than \$1.5 million also has grown, from 15 percent of total dollars approved in fiscal year 2005 to 25 percent in fiscal year 2010.

SBA has already put in place the alternate size standard that expands eligibility for SBA-backed loans that was included in the Jobs Act, increasing the alternate size standard to include those small businesses with less than \$15 million in net worth and \$5 million in average net income. Additionally, Administrator Mills announced on Tuesday that all loan applications placed in the SBA's loan queue by small business borrowers had received final approval, amounting to 1,939 loans for nearly \$970 million. The loans were able to make use of loan guarantees up to 90 percent and reduced fees extended under the Jobs Act. Many of the loans had been in the queue waiting for the extension since May.

The bill provided the agency with enough funding to support an estimated \$14 billion in lending to small businesses with the extension of higher guarantees and reduced fees in the top two loan programs, first implemented as part of the American Recovery and Reinvestment Act of 2009. The Jobs Act also includes additional resources to help increase lending to small businesses, including the State Small Business Credit Initiative announced today by the Department of Treasury that will support \$15 billion in lending through local programs and the Small Business Lending Fund, which will provide capital to local, community banks to increase their lending to small businesses. Additionally, the new law contains \$12 billion in tax credits targeted to small businesses, including higher deductions for investing in new machines and equipment, zero capital gains for those who buy and hold small business stocks for five years, and a doubling of the maximum deduction for startups to \$10,000. It also allows self-employed Americans to completely deduct health insurance costs for themselves and their families. ♦

SBA Information Notices detailing the loan program enhancements can be downloaded at:

www.sba.gov/aboutsba/sbaprograms/elending/notices/BANK_FY_10_NOTICES.html

SBA Finalizes Revisions of Size Standards to Expand Opportunities for Small Businesses

The U.S. Small Business Administration has published a package of revised size definitions for three broad commercial sectors affecting businesses in retail trades, accommodations and food services, and other services. The changes were proposed on October 21, 2009, and will broaden small business eligibility and help them gain access to SBA's financial assistance, contracting and other programs. The agency estimates as many as 17,000 additional firms will become eligible for SBA programs as a result of the revised size standards.

Last year, SBA began the process of reviewing and updating size standards based on industry-specific data. 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 at the request of 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.

Under provisions in the Small Business Jobs Act of 2010, SBA will continue its comprehensive review of all size standards for the next several years, as the law specifies. The three final rules will affect the following industries:

Sector 44-45, Retail Trade (RIN: 3245-AF69)

In retail trade, a change in the new car dealer industry from a revenue-based standard of \$29 million in average annual receipts to an employee-based standard of 200 employees will allow 5,700 additional new car dealers to become eligible for small business programs and services. Also, size standards were also increased for 46 industries under retail trade. SBA estimates more than 14,400 retail firms will become eligible for small business programs and services.

Sector 72, Accommodation and Food Services (RIN: 3245-AF71)

Size standards were increased for five industries. SBA estimates 2,050 additional firms will become eligible for small business programs and services.

Sector 81, Other Services (RIN: 3245-AF70)

Size standards were increased for 18 industries. SBA estimates more than 1,400 additional firms will become eligible for small business programs and services. ♦

For more information about SBA's revisions to its small business size standards, www.sba.gov/size and click on "What's New."