

CLEVELAND DISTRICT OFFICE NEWS  
 INFORMATION FOR THE SMALL BUSINESS COMMUNITY

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*In News for Our Lending Partners:*

- *Transition Period for Initiatives under Sections 501 and 502 of the Recovery Act*
- *Servicing and Liquidation Authority of 7(a) Lenders*

Loan Report as of November 30, 2009

**7(a) and 504 Loans Combined**

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	52	\$9,709
JPMorgan Chase Bank	20	\$2,983
FirstMerit Bank	16	\$1,317
KeyBank	13	\$2,370
Fifth Third Bank	10	\$5,365

**504 Loans**

Bank	Number 504 Approvals
Fifth Third Bank	3
First National Bank	3
FirstMerit Bank	2
KeyBank	2
PNC Bank	2

CDC	Number 504 Approvals	Dollars (In Thousands)
Growth Capital Corp.	8	\$2,491
Northwest Ohio Dev. Ass't.	2	\$707
Stark Development Board	2	\$276
Cascade Capital Corp.	1	\$83
Community Capital Dev. Corp.	1	\$245
Lake County SBAC	1	\$164
Mahoning Valley Economic Dev. Corp.	1	\$392
West Central Partnership	1	\$1,412



## NEWS FOR OUR LENDING PARTNERS

### Transition Period for Initiatives under Sections 501 and 502 of the Recovery Act

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") (P.L. 111-5). On March 16, 2009, SBA implemented sections 501 and 502 of the Recovery Act, which provide fee relief on 7(a) and 504 loans and an increased guaranty percentage on 7(a) loans. Both initiatives have contributed to a significant resurgence in lending to small businesses by SBA's participating lenders and Certified Development Companies (CDCs).

Based on the activity to date, SBA projects that the Agency will have funds to support these two Recovery Act initiatives through late-November 2009. Therefore, SBA is establishing procedures in anticipation of the end of the availability of Recovery Act funds. Once the appropriated Recovery Act funds are exhausted, some funds are projected to become available again as previously approved Recovery Act loans are cancelled.

As described more fully in the attached notice, as of November 23, 2009 SBA is providing for a transition period where applications for new loans may be submitted either: (1) as Recovery Act loans, which will mean being placed in a queue to await the potential availability of Recovery Act funding or may not be funded at all; or (2) as non-Recovery Act loans, which will be funded as soon as approved, but which will not be eligible for fee relief under section 501 or the increased guaranty under section 502 of the Recovery Act.

Applications submitted as new Recovery Act loans will be processed up to the point of approval and then will be placed into a queue awaiting the availability of Recovery Act funds (the "SBA Recovery Loan Queue"). As Recovery Act funds become available, applications placed into the SBA Recovery Loan Queues will be funded in the order they were approved by SBA, with the exception that requests for increases to previously approved Recovery Act loans will be funded before applications for new Recovery Act loans. At any time while waiting in the SBA Recovery Loan Queue, an applicant may choose to withdraw its application from the queue and re-submit it as a non-Recovery Act loan once the transition period has begun. Applicants will be able to determine where they are in the SBA Recovery Loan Queue by accessing SBA's website. The website address is [www.sba.gov/recoveryq](http://www.sba.gov/recoveryq).

### Servicing and Liquidation Authority of 7(a) Lenders

As indicated in SBA Information Notice 5000-1110 dated June 25, 2009, SBA published regulations effective May 14, 2007 on liquidation and debt collection activities that amended 13 CFR Part 120 governing business loans. Section 120.536 of the regulations standardized across all 7(a) loan programs the servicing and liquidation actions that require prior SBA approval, and reminded lenders to maintain in their loan files supporting documentation for actions taken in connection with a loan not requiring prior SBA approval. This documentation is essential for SBA's review of the lender's handling of a loan if it is submitted for guaranty purchase and for SBA's determination as to whether the lender's actions were prudent, commercially reasonable (consistent with generally accepted commercial lending practices) and in accordance with loan program requirements.

SBA published on May 29, 2009 a matrix for 7(a) lenders that contains a list of servicing and liquidation actions that require SBA approval or notification. The purpose of this notice is to advise that an updated version of the matrix dated November 12, 2009 has been issued. Like the previous version, this matrix has been posted to the web sites of the National Guaranty Purchase Center, and the Fresno and Little Rock Commercial Loan Servicing Centers.

7(a) lenders are reminded that they should use their unilateral authority in order to expeditiously address the needs of small business concerns in these difficult economic times. This unilateral authority includes, among other things, deferments and loan restructuring where appropriate to keep a small business in operation.

The matrix can be accessed via this web link: <http://www.sba.gov/aboutsba/sbaprograms/elending/clc/servicing/index.html> ♦

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

## SBA District Director Speaks at Lake County CDC Roundtable

Cleveland SBA District Director Gil Goldberg was a guest presenter at the Lake County CDC Small Business Assistance Corporation's Annual Lenders and CPA Roundtable on November 19, 2009 in Mentor, Ohio. Mr. Goldberg informed the Lake County area lenders and CPA's about the American Recovery and Reinvestment Act, SBA initiatives, regional goals, and achievements.

Alan Weaver, Program Director of the Lake County CDC, presented Certificates of Appreciation awards to the lenders that participated in the CDC's 504 loan projects over the past year. The Lake County CDC had the distinction of actually increasing SBA 504 loan volume in fiscal 2009 (with 14 SBA 504 loans) versus the previous year. That was quite an accomplishment, considering the difficult economic conditions.

The lenders and CPA's listened attentively to the latest details of the Recovery Act and asked questions about the loan programs the SBA offers, like the 90% SBA guaranteed loans, 504 loans, and the ARC loan program. Of special interest and concern to the lenders is that the Recovery Act funds, (which SBA received to temporarily increase SBA loan guarantees to 90% and waive upfront SBA guaranty fees) is running out of available funds and is winding down. The lenders would like the SBA loan incentives to continue. ♦



*SBA Cleveland District Director Gil Goldberg addresses the crowd.*



*At left, SBA's Gil Goldberg, next to Alan Weaver, Program Director of Lake County CDC, along with the bankers that participated in the 504 loan program with the CDC.*



*The roundtable was well attended.*

## SBA Cleveland District Office Represented at Fairlawn Entrepreneur Forum

On November 3<sup>rd</sup> over twenty-five owners of new and existing business gathered at Summit Mall in Fairlawn for advice and conversation with area business experts and economic development officials. The event featured more than an hour's worth of advice and conversation about starting and successfully growing a business. Discussion and consultations followed formal presentations. Summit Mall hosted the forum and manager David Huesser, along with the Mall's marketing director Katie Anderson, welcomed the crowd.



Presenters included Marty Oppenheimer and Diana Bennett from the Akron SCORE chapter, Jim Griggy from the Summit Medina Business Alliance (SBDC), Rodd Welker from Franchisemart, James Burke from sponsor Citizens Bank, and Mark Hansel from the Cleveland District Office of the U.S. Small Business Administration. Based on the great success of the session, David Huesser and Katie Anderson look forward to Summit Mall's hosting similar events in the future ♦.



## SBDC Meeting Held at SBA Cleveland District Office



*Ohio Small Business Development Center officials from around the SBA Cleveland District attended the session.*

A special Small Business Development Center (SBDC) meeting was held on November 17, 2009 at the SBA's Cleveland District Office. SBDC Directors from Akron, Canton, Cleveland, Defiance, Fremont, Kent, New Philadelphia, Painesville, Toledo, and Youngstown attended. Cleveland SBA District Director Gil Goldberg directed the meeting. The focus of the meeting was to seek input from the SBDC's for Small Business Week and to discuss sub-center issues and outreach, including ideas that have helped small business get through the recession. The SBDC Directors provided valuable feedback in regard to deserving candidates for the various Small Business Week awards, the challenges the SBDC's face in the current tough and trying environment, and the state of the economy in their region. The SBDC's are hoping the recovery in the economy continues. ♦

## Statement from SBA Administrator Mills on Continuing Support for Small Businesses through SBA Recovery Programs

SBA issued the following statement today from Administrator Karen Mills regarding efforts to ensure continued funding for two key provisions in the American Reinvestment and Recovery Act (ARRA) of 2009:

“Over the course of the last few months, the Obama Administration has announced several steps to ensure the continued recovery of small businesses, including our commitment to working with Congress to increase maximum loan sizes for the 7(a), 504 and microloan programs and plans to make access to capital from government lending programs easier for small banks in communities across the country.

“As anticipated, the \$375 million ARRA appropriation for raising SBA’s 7(a) loan guarantee to 90 percent and reducing fees on both its 7(a) and 504 loan programs will last into December. Given the impact these provisions have had in getting much-needed capital in the hands of small businesses, the SBA and others in the Obama Administration are working closely with Congress to obtain funding to continue both provisions through the authorization period for the 90 percent guarantee, which ends one year from the date of ARRA being signed.

“At the same time, SBA is finalizing plans for the overall transition for when these ARRA provisions for the 7(a) and 504 loan programs end. SBA is communicating with its lending partners on this process and will work to ensure every remaining dollar possible is made available to help small businesses drive economic recovery across the country.

“These two key ARRA provisions have helped engineer a significant turnaround in SBA lending. With the \$375 million appropriation for these two provisions, SBA has supported more than \$14 billion in lending to small businesses across the country and seen its average weekly loan volume increase by more than 75 percent since February. All told, these steps have saved and benefitted many businesses and jobs during these tough economic times. However, we know there is still more work to be done and we will continue our efforts to keep America’s small businesses on a path to recovery and long term success.”

SBA’s ARRA Programs:

SBA received \$730 million in ARRA to support economic recovery programs for small businesses. Included in the appropriation was \$375 million to support raising the government guarantee to 90 percent on SBA’s 7(a) loans and reducing some lender and borrower fees on its 7(a) and 504 loans, the agency’s two largest lending programs. Additionally, among other provisions, the appropriation included \$255 million for the creation of the SBA’s America’s Recovery Capital (ARC) loan program and \$30 million to expand its Microloan program.

SBA’s 7(a) and 504 ARRA Transition Plan:

SBA is finalizing the plan for transitioning its 7(a) and 504 programs back to their pre-ARRA terms and communicating those plans with its lending partners. This plan, when implemented, will include a Recovery Loan Queue to go into effect on the transition date. Sometimes previously approved loans are later cancelled or never disbursed for a variety of reasons. The queue takes this into account and beginning on the transition date will allow eligible small businesses, in consultation with their lender, to choose to be placed in the queue for possible approval for an ARRA loan if funding becomes available. Small business owners will have transparent access to the queue via [www.sba.gov](http://www.sba.gov) and will be able to remove themselves from the queue at any time to be considered for a non-ARRA SBA loan.

To learn more about SBA’s ARRA programs and other resources for small businesses, please visit [www.sba.gov](http://www.sba.gov). ♦

## 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!!! ♦



## **SBA Export Loan Programs**

- ❖ Export Working Capital Program (EWCP)
- ❖ Export Express
- ❖ International Trade Loans

The “world is flat” and small businesses are participating in the world economy in record numbers. Consider the following

- 70% of all exporters have fewer than 20 employees
- Small and Medium Sized Enterprises (SME) account for 30% of export value
- SMEs exported over \$300 Billion worth of merchandise in 2008.

How can you support these growing businesses and their need for capital while still maintaining prudent lending standards? SBA participating lenders are invited to learn how to use SBA export finance programs to provide these growing businesses with financing solutions while still maintaining an acceptable level of risk. This training will be provided by Patrick Hayes, SBA’s Regional Export Finance Manager. Please join us:

When: January 7, 2010, 9:00 am EST – 10:00 am.

Dial in instructions: 1-866-740-1260; passcode 3755002  
[www.readytalk.com](http://www.readytalk.com); pass code 3755002

Questions – call Patrick Hayes on 216-522-4731 or [Patrick.hayes@sba.gov](mailto:Patrick.hayes@sba.gov)