

CLEVELAND DISTRICT OFFICE NEWS
INFORMATION FOR THE SMALL BUSINESS COMMUNITY

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Loan Report as of April 30, 2011

7(a) and 504 Loans Combined

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	391	\$65,025
KeyBank	63	\$22,212
JPMorgan Chase Bank	55	\$11,987
FirstMerit Bank	36	\$9,550
Charter One Bank/RBS Citizens	34	\$3,821

504 Loans

Bank	Number 504 Approvals
FirstMerit Bank	17
Huntington National Bank	16
JPMorgan Chase Bank	7
KeyBank	7
Westfield Bank	4
Dollar Bank	3

CDC	Number 504 Approvals	Dollars (In Thousands)
Growth Capital Corp.	26	\$15,666
Cascade Capital Corp.	13	\$5,704
Lake County SBAC	13	\$4,115
Mahoning Valley Economic Dev. Corp.	9	\$3,054
Stark Development Board	5	\$3,261
Mentor Economic Assistance Corp.	2	\$877
SEM Resource, Inc.	2	\$978
West Central Partnership	2	\$2,791
Ohio Statewide	1	\$369



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NEWS FOR OUR LENDING PARTNERS

Secondary Market Sales by SBA Lenders - Reserve Agreement

In 2009 and 2010, SBA issued SBA Information Notice No. 5000-1106 and SBA Procedural Notice No. 5000-1161 (May 22, 2009 and July 7, 2010, respectively), both entitled "Secondary Market Sales by SBA Lenders", to assist in notifying stakeholders that SBA was increasing its level of supervision over certain higher risk SBA Lenders that participate in the Secondary Market. Specifically, the Notices covered all SBA Lenders that seek to sell loans into the Secondary Market and that are subject to (i) a Cease & Desist order, (ii) a Consent Agreement affecting capital or commercial lending issues, or (iii) other supervisory action that cites unsafe and unsound banking practices or other items of concern to SBA, or (iv) where the SBA Lender's auditor issued a Going Concern opinion in the audited financial statements (collectively, the "Actions"). Recently, these Notices were incorporated into SBA Standard Operating Procedure (SOP) 50 53 on Lender Supervision and Enforcement (eff. Oct. 1, 2010).

SBA is responsible for ensuring the integrity of the 7(a) Loan and Secondary Market programs under its supervision, and for managing SBA guaranty exposure. The sale of the portion of 7(a) loans guaranteed by SBA (Guaranteed Portion) into the Secondary Market by these SBA Lenders can have a significant impact on SBA's ability to manage program risk. More specifically, once the Guaranteed Portion is sold, the guarantee effectively changes from a conditional guarantee to the SBA Lender to an unconditional guarantee to the Registered Holder. If a borrower defaults, SBA generally purchases the Guaranteed Portion from the Registered Holder out of the Secondary Market and, as appropriate, pursues the SBA Lender for any repairs or denials based on a post-purchase review. However, if an SBA Lender is placed in receivership by the Federal Deposit Insurance Corporation (FDIC), SBA may be limited in its ability to receive its entitled reimbursement of the portion of the purchase amount denied or repaired from the failed institution.

Towards mitigating this concern, SBA has been reviewing each individual loan from SBA Lenders that fall into the categories identified above prior to the sale of the Guaranteed Portion in the Secondary Market. This process is resource intensive and may result in delays to the SBA Lender in selling the Guaranteed Portion in the Secondary Market. In order to facilitate the process and better manage risks, effective June 30, 2011, SBA will, in general, no longer review each individual loan prior to sale. Instead, SBA Lenders subject to any one or more of the four Actions defined above will be required to enter into a Reserve Account Agreement ("Agreement") with SBA prior to requesting SBA approval to sell loans into the Secondary Market. The Reserve Account established by the Agreement is necessary to protect SBA and the taxpayer from unnecessary losses, and provide greater assurance of repayment for post-purchase repairs and denials on the Guaranteed Portion of Secondary Market loans by these SBA Lenders.

Under the Agreement, before SBA will approve the sale of any Guaranteed Portion on the Secondary Market, the SBA Lender will be required to establish a Reserve Account at a well-capitalized FDIC insured depository financial institution and fund the account as follows:

Make an initial deposit in the amount of either:

Two (2) times an SBA Lender's average 7(a) loan size (determined by dividing the SBA Lender's gross dollars outstanding by the number of 7(a) loans outstanding) if the SBA Lender's gross dollars outstanding for its active loans is \$10 million or greater, or

One (1) times an SBA Lender's average 7(a) loan size (determined by dividing the SBA Lender's gross dollars outstanding by the number of 7(a) loans outstanding) if the SBA Lender's gross dollars outstanding for its active loans is less than \$10 million.

In addition to the initial deposit, the SBA Lender will be required to deposit a Reserve Amount for each sale of a Guaranteed Portion in the Secondary Market. The Reserve Amount equals the total gross dollar amount of the Guaranteed Portions to be sold, multiplied by the greater of (a) SBA's overall 7(a) Loan guarantee repair/denial rate as calculated by SBA for the most recent available quarter or (b) the SBA Lender's 7(a) Loan guarantee repair/denial rate as calculated by SBA for the most recent available quarter. Please note, SBA may, on a case by case basis, in its discretion, request a greater Reserve Amount, request other financial assurances or other oversight measures, or not approve Secondary Market sales, given the risk, compliance, or other regulatory concerns of a particular situation.

(continued on page 3)

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

The SBA Lender may not sell a Guaranteed Portion on the Secondary Market if: (i) any payment of principal or interest has been past due (one payment cycle late) or deferred on the 7(a) Loan during the six month period prior to the sale date; (ii) at the time of the sale, the borrower is not making payments as scheduled under the original terms of the 7(a) Loan note (for the Guaranteed Portion); or (iii) the Guaranteed Portion to be sold is part of a 7(a) Loan that is classified by SBA Lender as special mention, substandard, doubtful or loss or has been restructured. For any loan with a final disbursement less than six months prior to the date of sale, the SBA Lender may not sell the Guaranteed Portion of that loan on the Secondary Market if the SBA Lender's 7(a) loan portfolio exceeds any two of the following performance indicators (included in the Loan and Lender Monitoring System) by one and one-half (1.5) times the average for the overall 7(a) portfolio. The performance indicators are early default rate, past due rate, delinquency rate, liquidation rate and 12 month purchase rate, as calculated by SBA. On a monthly basis SBA will provide these indicators (both lender-specific and overall 7(a) portfolio) to the SBA Lenders that have entered into Reserve Account Agreements with SBA. If the performance requirement is triggered, the SBA Lender may not sell the Guaranteed Portion of a 7(a) loan on the Secondary Market until at least 180 days from the date of final disbursement of the loan. Once the performance requirement is triggered, it will remain in effect for three months after the date the performance metrics have returned to acceptable levels. Late reporting of loan performance data by the SBA Lender may result in a permanent requirement for 7(a) loans to be seasoned for six months prior to sale or other remedial action as SBA deems appropriate.

SBA recognizes that the establishment of the reserve may affect the timing of negotiated loan settlements and Secondary Market sales. Therefore, if an SBA Lender is subject to any one or more of the four Actions defined above, and seeks 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. In conclusion, beginning June 30, 2011, each SBA Lender subject to any of the four Actions must have a fully executed Agreement and a Reserve Account established in accordance with the Agreement in order to sell Guaranteed Portions into the Secondary Market. The Office of Credit Risk Management will immediately begin working with SBA Lenders subject to these Secondary Market procedures to put the Agreement and Reserve Account in place. SBA encourages SBA Lenders to begin this process as soon as practicable if they intend to sell a Guaranteed Portion in the Secondary Market in the near future.

3rd Quarter "Peg" Rate and Maximum Interest Rate of a Third Party Lender Loan for a 504 Project

The optional peg rate for fluctuating interest rates on guaranty loans is 3.750 percent (3 3/4%) for the April - June quarter of FY 2011. Pursuant to 13 CFR 120.921(b), the maximum legal interest rate for any third party lender's commercial loan which funds any portion of the cost of a 504 project (see 13 CFR 120.801) shall be 6% over the New York Prime rate or, if that exceeds the maximum interest rate permitted by the constitution or laws of a given State, the maximum interest rate will be the rate permitted by the constitution or laws of the given State. •

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

Congratulations to the Mentor Economic Assistance Corporation!

The Mentor Economic Assistance Corporation (MEAC) is the winner of two Certified Development Companies performance awards for FY 2009-2011 from the National Association of Development Companies (NADCO). NADCO is the trade association for the nation's Certified Development companies that are authorized by the U.S. Small Business Administration to provide financing to small businesses through the 504 loan program. MEACO is being recognized for Greatest increase in number of 504 loan approvals and Greatest increase in percentage of 504 loan approvals for portfolios %10 million and below. Plaques will be presented at the Annual Meeting of NADCO on May 19. •

SBA E200 Executive Training Program Begins

The Emerging 200 (known as e200) is an intensive training initiative to accelerate high-potential small business growth in America's inner cities. This comprehensive curriculum provides the tools to catapult companies to the next level and help companies emerge as growing, self-sustaining businesses in the Youngstown area. Developed by the U. S. Small Business Administration (SBA), e200 offers qualified business owners a powerful collection of benefits to accelerate growth, understand and explore financing options, diversify markets and expand networking. The training is supported by the SBA, the City of Youngstown and the Ohio Small Business Development Center at Youngstown State University and mentored by business advisors with invaluable insight and expertise.

Eighteen local area businesses were chosen for the inaugural e200 class at Youngstown State University. The criteria for qualifying for the e200 class were annual revenues of at least \$400,000 per year and in business for at least 3 years. The businesses were required to be in a growth mode ready to step it up to the next level. A wide diversity of business were chosen to participate in the program ranging from retailers, manufacturers, professional, service and tech. Each of the eighteen business owners have committed to approximately 100+ hours of professional training and peer to peer counseling. Class attendance is mandatory beginning in April and ending in November. Each business owner must complete homework assignments and actively participate in group activities. To kick off the Youngstown e200 Program a Press conference was held at the Williamson College of Business Administration on April 19th right before the scheduled first class meeting at 5:00PM. The Press Conference was well attended and included the Mayor of the City of Youngstown, the Director of the statewide Ohio Small Business Development Center and various local officials. Gil Goldberg the SBA Cleveland District Office District Director served as master of ceremonies.



City of Youngstown Office of Economic Director Sharon Woodberry and an attendee



Youngstown's Mayor Jay Williams speaks at the press conference.



Master of Ceremonies SBA Cleveland District Director Gil Goldberg



Members of the Youngstown E-200 class

Six Successful Entrepreneurs Share Keys to Success In New 'America's Best' Video Series

SBA, ADP videos feature noted company founders who utilized and benefited from agency's programs as they grew their businesses

A new video series launched by the U.S. Small Business Administration and ADP® offers insight into the story behind the story of six successful American companies. Featuring the individuals who built their businesses from an idea to become industry leaders, the "America's Best" series shares keys to success, best practices and lessons learned for today's entrepreneurs.

The "America's Best" video series is available online at www.sba.gov/AmericasBest and on www.ADP.com. The series was produced in partnership between SBA and ADP, a provider of human resource outsourcing, payroll services and benefits administration.

Told from the perspective of company founders and key executives, the "America's Best" videos profile once small U.S. businesses with remarkable stories of entrepreneurship, growth and success. They are part of the SBA's ongoing effort to celebrate entrepreneurship and provide small business owners and start-ups with relevant programs and resources to help them grow their businesses and create jobs.

Featured companies in the "America's Best" video series include:

- Allen Edmonds Shoe Corporation, Port Washington, Wis.
-
- Cerner Corporation, Kansas City, Mo. -
- Columbia Sportswear Company, Portland, Ore. -
- The Gymboree Corporation, San Francisco, Calif. -
- Radio One, Inc., Lanham, Md. -
- Ruiz Foods, Dinuba, Calif. -

The support given by the U.S. Small Business Administration to this activity does not constitute an expressed or implied endorsement of any cosponsor's or participant's views, opinions, products, or services. All SBA programs and cosponsored programs are extended to the public on a nondiscriminatory basis. Cosponsorship Authorization No. 10-2110-17.♦

SBA, Inc. Magazine and AT&T Join Forces to Promote Exporting by U.S. Small Businesses

Small businesses seeking to grow their businesses and create jobs through exporting can turn to new, free educational videos created through a partnership between the U.S. Small Business Administration, Inc. Magazine and AT&T. Through the public-private partnership, a series of video modules has been developed to inspire and encourage American small businesses to actively pursue exporting and to educate them on how to do so. The video series, *Take Your Business Global*, features five main topics that guide small businesses through the process of exporting: Getting Started in Exporting; Planning for Export success; Connecting with Foreign Buyers; Financing; and five Case Studies of successful small business exporters.

The videos begin with answers to the frequently asked question, Why Export? They feature SBA Deputy Administrator Marie Johns; U.S. Secretary of Commerce Gary Locke; U.S. Trade Representative, Ambassador Ron Kirk, and a variety of small business exporters. Other modules feature exporting experts discussing "how-to" take your business global. The videos are posted at www.inc.com/exporting.

Funding for this project was jointly provided by Inc. Magazine and AT&T. Also, Inc. Magazine created the site to host the videos; both firms will distribute DVD copies of the videos and related materials approved by SBA and promote the series in online and print advertising. The joint program will be launched April 8, at the Cosmopolitan Hotel in Las Vegas, at the Inc. conference GROWCO, an event targeting growing small businesses.

The co-sponsorship agreements will remain in effect through August 31, 2012. Co-sponsorship Authorization # 10-7080-165. SBA's participation in this cosponsored activity is not an endorsement of the views, opinions, products or services of any cosponsor or other person or entity. All SBA programs and services are extended to the public on a nondiscriminatory basis.♦

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Internal Revenue Service Webinar for Small Businesses

Small Business Advantage: Put Our Knowledge to Work for You

Presented by the Internal Revenue Service

Date: May 18, 2011

This FREE webinar is for:

- Small business owners
- Self-employed persons
- Independent contractors
- Tax practitioners – Please note: CPE credit is not available for attending this webinar.

Learn about:

- The new IRS brand for small business resources
- Discover multiple resources to help small businesses thrive
- What are the benefits of using Small Business Advantage?
- Find out about opportunities available now for small businesses

Register & Attend

- Click on the link to register for the session

<http://www.visualwebcaster.com/IRS/77699/event.asp?id=77699>

EASTERN	CENTRAL	MOUNTAIN	PACIFIC
2 p.m.	1 p.m.	Noon	11 a.m.

Information

- Visit www.irs.gov and search [Webinars](#) for information about other events.
- If you experience difficulty viewing the event, please use the email option on the event page or call 866-956-4770.
- This event will be archived on the [IRS Video Portal](#) for later viewing approximately two weeks after the date of the event.

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