



Bank Notes

A Newsletter for Michigan Lenders

October 21, 2008

Issue 152

Fiscal 2008 Lending Report

Loan program activity for fiscal 2008 for the Michigan District Office is shown below. While 7(a) lending was down significantly, this was due largely to a substantial decline in our SBA *Express* loans. On the other hand, 504 loans were up 7% in contrast to a decline nationally of 17%. The 49% increase in "other" 7(a) loans reflects the successful impact of SBA's Standard 7(a) Loan Guaranty Processing Center as well as our work with new lenders. Loans to businesses owned by veterans and women are two important markets we continue to emphasize.

I want to thank all of SBA's participating lenders that supported our loan programs and Michigan's small business community in FY 2008. Looking ahead, it is clear that the future health of Michigan's economy will be heavily dependent on a growing and vibrant small business sector. **Given the current turmoil in the credit and financial markets, the value of an SBA guaranty should be a very advantageous asset to help meet the needs of many small business customers.**

| | <u>Fiscal 2007</u> | <u>Fiscal 2008</u> | <u>Change</u> |
|-------------------------|--------------------|--------------------|---------------|
| 504 Loans | 211 | 225 | 7% |
| SBA <i>Express</i> | 2,548 | 1,387 | -46% |
| PLP | 419 | 365 | -13% |
| Other 7(a) Loans | 136 | 203 | 49% |
| Total 7(a) Loans | 3,103 | 1,955 | -36% |
| 7(a) Dollars | \$380,059,000 | \$313,687,000 | -17% |
| 504 Dollars | \$116,020,000 | \$107,216,000 | -8% |
| Loans to Veterans | 180 | 114 | -37% |
| Loans to Women | 597 | 371 | -38% |

Revised Fees For 7(a) And 504 Loans Approved During FY 2009

There are no changes to the regular guaranty fees payable to SBA in either the 7(a) or 504 loan programs. Beginning October 1, 2008, the lender's annual service fee will be 0.55 percent (55 basis points) of the guaranteed portion of the outstanding balance on the 7(a) loan. In the 7(a) Authorization Wizard this is referred to as the "ongoing service fee."

For 504 loans approved on or after October 1, 2008, the "ongoing guarantee fee" paid by borrowers to SBA will be reduced from 0.021 percent (2.1 basis points) of the outstanding balance of the 504 loan to zero basis points. In addition, the one-time guaranty fee that SBA is authorized to charge 504 borrowers remains at zero points.

U.S. Small Business Administration

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Michigan Lender's Web site www.sba.gov/localresources/district/mi/mi_lenderspage.html



SBA's Lender Portal

The SBA evaluates the performance of each lender based on a number of factors. Through the use of SBA's Lender Portal, a 7(a) lender may view its own quarterly performance data, including its current historical composite risk rating, and peer and portfolio averages. The Portal includes both summary performance and credit quality data. Summary performance data is largely derived from data that 7(a) lenders provide to SBA through SBA Form 1502 and 172 Reports.

SBA 7(a) lenders with at least one outstanding SBA loan may apply for access to the Portal. Currently, SBA issues only one Portal user account per 7(a) lender. Initial requests for a Portal user account must be submitted to SBA's Office of Credit Risk Management with the following information:

1. Request must be made by a senior officer with proper authority of the 7(a) lender (Senior Vice President or higher);
2. Request must be made using the 7(a) lender's stationery;
3. Request must include the user's business card;
4. The stationery and business card should include the 7(a) lender's name and address;
5. The request should include the following data:
 - a. SBA FIRS ID Number(s);
 - b. Account user's name and title;
 - c. Account user's mailing address, telephone number and email address at the 7(a) lender;
 - d. Requesting officer's name and title; and
 - e. Requesting officer's mailing address, telephone number and email address at the 7(a) lender.

The request must be sent via regular or overnight mail to:

SBA – OCRM
 409 Third Street, SW
 Washington DC 20416
 ATTN: Director, Office of Credit Risk Management

New Phone/Fax Numbers for the Sacramento Loan Processing Center

The Sacramento Loan Processing Center phone and fax numbers have been changed:

Fax Numbers:

| | |
|---------------------------------------------|---------------|
| Loan Applications [e.g. PLP and SBAExpress] | 916- 735-0640 |
| Lender Nominations and Renewals | 916- 735-0643 |

PLP/SBAExpress/Community Express Loan Applications:

| | |
|-----------------|--------------|
| Hien Nguyen | 916-735-1200 |
| Hardy Slay | 916-735-1223 |
| Barbara Stefani | 916-735-1224 |
| Richard Taylor | 916-735-1221 |

Lender Nominations and Renewals:

| | |
|----------------|--------------|
| Sally Schimmel | 916-735-1216 |
|----------------|--------------|

Help For Borrowers

During this time of great turmoil and uncertainty in the credit and financial markets, we are encouraging all SBA participating lenders to work with their small business customers to the greatest extent possible.

SBA just issued Information Notice 5000-1077 (http://www.sba.gov/idc/groups/public/documents/mi_detroit/mi_5000_1077.pdf) to "encourage its participating lenders to not call broad segments of their SBA loan portfolios based only on changing financial factors or variables unrelated to the operation of the business, such as changes in personal credit scores." Included in this are "marginal changes in financial or operating factors (such as financial or operating ratios) related to the condition or operation of the business, particularly if those factors or conditions have not been specified in writing and accepted by the borrower at loan closing."

Lenders are encouraged "to approach their SBA loans on an individual basis rather than unilaterally restructuring broad segments of their SBA portfolios." SBA has delegated substantial authority to lenders in servicing and, generally, prudent actions that are favorable to the borrower will be supported by SBA and many do not need SBA approval or notification.

In the non-credit arena, both the Michigan Small Business & Technology Development Center and SCORE, "Counselors to America's Small Businesses," have outstanding counselors who would be of real help to any borrower who has run into difficulty, or who has a great opportunity that he or she needs help with.

SBTDC and SCORE consultants can work with existing businesses to review their financial status and find methods to increase cash flow and profits, as well as establish strategies for growth and survival. For more information please contact the SBTDC at (616) 331-7480 or visit www.misbtadc.org, or SCORE at (313) 226-7947 or visit www.scoremichigan.com.



Nominations For Michigan Celebrates Small Business

Honor your best customers by nominating them for **SBA's 2009 Michigan Small Business Person of the Year** and other awards which will be presented on April 30, 2009 during the 5th annual **Michigan Celebrates Small Business** awards dinner in East Lansing.

The Edward Lowe Foundation's **Michigan 50 Companies to Watch** will also be honored at this event. We encourage you to nominate your most successful borrowers for these awards. Just go to www.michigancelebrates.biz and click on "awards" at the top of the page.

2009 Michigan SBA Lenders' Conference

Don't forget to mark your Calendar! SBA's 11th Annual Michigan SBA Lenders' Conference will be held March 20, 2009 at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

If you have any suggestions for this conference, please do not hesitate to call Allen Cook at (313) 226-6075, ext. 221.

Bank Notes Distribution

If you know someone who would like to receive future issues of Bank Notes, they will need to subscribe through SBA's Free Newsletter and Publication Subscription Center.

The process is easy. Simply go to Web page <http://web.sba.gov/list/>; scroll down and check the box entitled "Michigan Bank Notes Newsletter." Then scroll down and enter your name and e-mail address at the bottom of the page and hit the "Subscribe" button.

Lenders Supporting the 504 Loan Program

For fiscal 2008, under the 504 Loan Program we approved 225 loans worth over \$107 million. This is the second highest number of 504 loans in Michigan that we have ever approved. These loans were supported by 74 different third party lenders, the most that we have ever had. Given the turmoil in the credit markets, we expect that even more lenders will take advantage of this program in the future. The following lenders supported nine or more 504 loans:

| <i>Lender</i> | <i># of Loans</i> |
|------------------|-------------------|
| Chase | 17 |
| Fifth Third Bank | 17 |
| Bank of America | 16 |
| Citizens Bank | 12 |
| Macatawa Bank | 9 |
| National City | 9 |

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings, and equipment. With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender, and 40% from the Certified Development Company (CDC). The CDC portion is provided by 100% SBA guaranteed debentures, and the **current interest rate for the 20 year bond is 6.60%**.

For more information, please contact one of the CDCs listed in the column to the right. These organizations specialize in packaging 504 loans and will manage the entire process to ensure it goes smoothly.

Michigan Certified Development Companies

Economic Development Foundation-Certified

Grand Rapids, (888) 330-1776

Lakeshore 504

Grand Haven, (616) 846-3153
Holland, (616) 392-9633

Metropolitan Growth and Development Corporation

Detroit, (313) 224-0820

Michigan Certified Development Corporation

Cadillac, (231) 878-1302, ext. 30
Kalamazoo, (269) 492-3140
Lansing, (517) 886-6612
St. Clair, (810) 329-4340

Oakland County Business Finance Corporation

Waterford, (248) 858-0765

SEM REsource Capital

Grand Rapids, (616) 242-5153
Livonia, (734) 464-4418