



# NEWS & VIEWS

**SBA News and Views** is a monthly publication of the SBA Wisconsin District Office. Its purpose is to provide Wisconsin lenders and small business leaders with up-to-date information on SBA programs and small business issues. It is distributed at no cost, and the reprinting of articles is encouraged

## Serving America's Small Businesses

**U.S. Small Business Administration  
Wisconsin District Office**

**Eric Ness, District Director  
June 2006**

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**SBA Home Page  
<http://www.sba.gov>**

**Wisconsin SBA Home Page  
<http://www.sba.gov/wi>**

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### **Fraudulent Schemes Detected on SBAExpress Loans**

The Office of Inspector General (OIG) has detected fraudulent schemes on a number of SBAExpress loans. This fraud alert is an attempt to make you aware of some of the patterns and indicators we are seeing in our investigations in the hope of curtailing fraud associated with this program. While we have no evidence that these fraud cases constitute a large percentage of SBAExpress Loans, we are asking all lenders to maintain a high level of diligence to identify and prevent this type of fraudulent activity. Lenders that identify fraudulent activity should refer the matter to the OIG for investigation.

The Western Regional Office of the OIG Investigations Division is currently conducting various investigations involving the SBAExpress Loan Program. In one case, in response to a referral from a bank, the office is investigating a scheme being perpetrated by a loan packager involving 57 loans of smaller dollar value (generally under \$50,000) where the business applicants either did not exist or presented false business histories. Fortunately, the bank caught on to the fraud and not all of these loans were made. We have identified similar plots that are being perpetrated against other lenders. We are working with the banks to investigate these schemes and will seek criminal prosecution, where appropriate.

Some of the patterns and indicators we are seeing in these schemes include:

1. The fraud schemes are perpetrated by a loan packager or broker and borrowers who the packager / broker has recruited through newspaper ads or in person at local organizations.
2. A number of these loans involved a packager/broker who recruits borrowers of the same ethnic group, who are often recent immigrants.
3. Multiple loan applications that reflect the same handwriting and business address.
4. False statements made as to the length of time a business has been in existence, the number of employees, sales figures, business address, and other information. In many cases, the businesses do not even exist.
5. Loan applications submitted to different lenders for the same business. The borrower does not disclose that he/she has applied for loans elsewhere.
6. Borrowers using either false social security numbers or obtaining multiple loans through the same social security number.

To deter and prevent this fraud, if lenders are not already doing so, the OIG recommends that lenders take some or all of the following actions:

1. Monitor and track involvement of loan brokers and packagers in the loan application process. SBA Form 1919, SBAExpress and Community Express Information Form, requires SBAExpress applicants to disclose whether or not anyone assisted them in the preparation of their loan. It may also be helpful to ask the borrowers whether any loan agent or broker assisted with the loan application.

2. Take steps to verify the existence, location and ownership of business borrowers through Dunn and Bradstreet or other means, such as reviewing Secretary of State listings or conducting site visits. Our investigations have shown, for example, that fictitious businesses have never made required tax filings with the State Department of Revenue or boards of equalization, or filed other tax returns. Lenders are reminded of the IRS tax verification requirements found in the SBAExpress Program Guide.
3. Develop methods of ensuring that multiple loans are not being made to the same borrowers or businesses or to a business located at the same address. In several cases, the same social security number has been used to obtain loans from the same lender to different borrowers.
4. Undertake greater efforts to make a positive identification of the borrower. In one case, the bank accepted a photocopy of the borrower's driver license, which had been altered. SBA Information Notice 5000-887, Lender Compliance with Treasury Requirements for Customer Identification Programs summarized lender obligations under Department of Treasury requirements for customer identification. Lenders should note that Section I of the Checklist, entitled Eligibility Information Required for SBA Express submission, requires lender certification that the INS status of the applicant has been verified.
5. Question the borrower about any recent inquiries reflected on credit reports, this may indicate that the borrower is attempting to obtain multiple loans. Question borrower about the lack of a credit history as this may indicate that the borrower is using a fictitious name, business or social security number.

If there are questions, or to report suspicious or potentially criminal conduct, contact the local OIG Investigative Office. (see [www.sba.gov/ig/hotline.html](http://www.sba.gov/ig/hotline.html))

### **Getting a Piece of the Federal Contracting Pie**

As a small business owner, have you ever wondered how you could market your product to the likes of the Department of Defense and the Small Business Administration (SBA); get a federal contract and be a part of the more than \$285 billion dollar federal marketplace?

While it is not necessarily easy, and success is not guaranteed, thousands of small businesses have been successful. For example, in 2003, the federal government purchased more than \$100 billion dollars worth of goods and services from small businesses through prime and subcontracting procurements.

The first step to becoming a federal contractor is to register your firm in the Central Contractor Registration (CCR) database. CCR is an online business portal that helps small businesses market their goods and services to the federal government and prime contractors. Federal agencies and prime contractors also look in the database to find small business contractors. You can register your firm's profile in the CCR database at <http://www.ccr.gov>.

The CCR database also houses the SBA's Dynamic Small Business Search function, an interactive database that permits small firms registered in CCR to post their profiles and capabilities for prospective buyers such as federal procurement officers or purchasing agents of prime contractors. Registration is free and voluntary, but any small businesses interested in doing business with the

government must register in the CCR database.

If you need in-depth counseling on seeking federal or state government contracts, you can turn to Procurement and Technical Assistance Centers (PTACs), located throughout the country. They help small, minority and woman-owned businesses market to the government. These organizations help small businesses register with CCR, obtain a Commercial and Government Entity Code and a Duns Number, which is necessary to do business with the government. They also can match a firm's capability with procurement opportunities and help obtain military and federal specifications and drawings. A listing of PTAC organizations are located at <http://www.aptac-us.org/new/>.

The SBA has a secret weapon of its own: Procurement Center Representatives (PCRs). PCRs are procurement professionals who help small businesses identify contracting opportunities. A listing of PCRs can be found at [www.sba.gov/GC/indexcontacts.html](http://www.sba.gov/GC/indexcontacts.html).

Subcontracting is also a good option for small businesses. Large prime contractors have Small Business Liaison Officers listed in the Subcontracting Opportunities Directory for companies wishing to sell to them. This directory can be found at [www.sba.gov/GC/indexcontacts-sbsd.html](http://www.sba.gov/GC/indexcontacts-sbsd.html).

This web site also has a listing for SBA's Commercial Market Representatives (CMRs) who assist small businesses with marketing to federal prime contractors. Small businesses also can search the SBA's SUB-Net Program for subcontracting opportunities at <http://web.sba.gov/subnet/>.

The SBA also offers an on-line procurement training course on how to access government contracts and subcontracts to assist small businesses. This course can be taken via the

Internet by visiting [www.sba.gov/gcbd/accessing\\_contracts/](http://www.sba.gov/gcbd/accessing_contracts/)

Other federal procurement opportunities can be accessed on the Internet at [www.fedbizopps.gov/](http://www.fedbizopps.gov/). The site includes a search engine to help you browse the latest contract solicitations.

Another option is the SBA's Business Matchmaking Program. Business Matchmaking allows small businesses to have personal appointments with senior level government and corporate procurement officials to discuss potential contracting opportunities. Small businesses register for appointments through an online Matchmaking portal, which pairs "sellers" with government or corporate executives or "buyers." Since the program's inception in 2002, the SBA has held numerous Business Matchmaking events around the country and scheduled more than 25,000 appointments. Small businesses can register to attend a Matchmaking event in a city near them at [www.businessmatchmaking.com](http://www.businessmatchmaking.com).

There is no cost to the small business or the buyers.

Other federal agencies that buy products and services can be located through the Federal Acquisition Jumpstation at <http://prod.nais.nasa.gov/pub/fedproc/home.html>.

By using tools, small businesses can successfully navigate the federal contracting marketplace, become an active participant in the \$285 billion dollar federal marketplace and sell their goods and services to Uncle Sam! For more information about SBA's programs and services, visit SBA's web site at [www.sba.gov](http://www.sba.gov).

## Home-Based Sole Proprietors Generate \$102 Billion in Annual Revenue

America's home-based sole proprietors generate \$102 billion in annual revenue, according to a study released by the Office of Advocacy of the U.S. Small Business Administration. The study details revenues, expenses, and income for both homebased and non-homebased sole proprietors by industrial sector.

"Sole proprietorships are a vital part of our economy," said Thomas M. Sullivan, Chief Counsel for Advocacy. "Many are homebased micro businesses; collectively they generate a significant amount of economic activity. For the average sole proprietor, their business provides benefits of entrepreneurship that go beyond just income and revenue."

Written by Joanne H. Pratt with funding from the Office of Advocacy, *The Impact of Location on Net Income: A Comparison of Homebased and Non-Homebased Sole Proprietors* examines federal income tax data from year 2002 sole proprietorship returns (Schedule C).

The report presents a comparison of homebased and non-homebased sole proprietorships. For example, it finds that the average home-based sole proprietor earned \$22,569 in net income while their non-homebased counterparts earned \$38,243. Due to lower expenses, particularly in rent and labor costs, the average home-based sole proprietor consistently gained a higher return on gross revenues at 36 percent, versus 21 percent for the non-homebased.

The report also finds that the percent of home-based sole proprietorships was greatest in the Administrative, Support, and Waste Management; Information; and Construction sectors.

For the non-homebased, the percentage was greatest in the Accommodation and Food Services; All Other Services; and Finance and Insurance sectors.

The Office of Advocacy, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For more information and a complete copy of the report; visit the Office of Advocacy website at [www.sba.gov/advo](http://www.sba.gov/advo).

## SCORE Corner

### Volunteers Wanted

SCORE – Service Corps of Retired Executives, counselors to America's Small Businesses, needs additional experienced businessmen and women. SCORE, working through the Small Business Administration, counsels people who wish to start a business and people with existing businesses who need help. SCORE also offers a Small Business Workshop that teaches business fundamentals needed for business startup. Retired persons will find this a very interesting and rewarding volunteer experience.

For more information, call Carole Kauss at the Southeastern office in Milwaukee at (414) 297-3942 or send your resume to:

**SCORE**  
**Attn: Membership Chairperson**  
**310 W. Wisconsin Avenue**  
**Suite 425**  
**Milwaukee, WI 53203**

**SBA May 2006 Loans****Acuity Bank**

Tomah – 3 Loans for \$262,000

**Amcore Bank NA** Rockford, IL –  
1 Loan for \$257,400**Anchor Bank**

Appleton – 1 Loan for \$472,000

Madison – 1 Loan for \$140,000

**TOTAL: 2 Loans for \$612,000****Associated Bank** Green Bay –  
35 Loans for \$4,115,300**Bank Mutual**

Milwaukee – 1 Loan for \$350,000

Neenah – 1 Loan for \$160,000

**TOTAL: 2 Loans for \$510,000****Baylake Bank** Sturgeon Bay –  
2 Loans for \$92,000**Branch Bank & Trust Co.**

Winston-Salem, NC

1 Loan for \$365,000

**Capital One Federal Savings****Bank** McLean, VA –

8 Loans for \$280,000

**Charter Bank** Eau Claire –

4 Loans for \$684,300

**CIT Small Business Lending****Corp.** Livingston, NJ –

3 Loans for \$589,800

**Citizens Bank** Kaukauna –

2 Loans for \$249,000

**Citizens Bank of Mukwonago**Mukwonago – 1 Loan for  
\$300,000**Community Bank & Trust**

Sheboygan – 3 Loans for

\$1,883,000

**Community First CU**

Appleton – 5 Loans for \$172,000

**Cornerstone Community Bank**

Grafton – 1 Loan for \$300,000

**Coulee Bank**

La Crosse – 1 Loan for \$30,000

**Farmers & Merchants Bank**

Tomah – 1 Loan for \$155,000

**First Bank Financial Centre**

Oconomowoc – 1 Loan for

\$50,000

**First Citizens State Bank**

Whitewater – 1 Loan for

\$145,000

**First National Bank**

Chetek – 1 Loan for \$990,000

**First National Bank in****Manitowoc**, Manitowoc –

2 Loans for \$90,000

**First National Bank-Berlin**

Berlin – 1 Loan for \$97,500

**First National Bank-Fox Valley**

Neenah – 3 Loans for \$164,300

**First National Bank-Hartford**

Hartford – 1 Loan for \$141,000

**Fox Communities CU**

Appleton – 1 Loan for \$144,000

**Great Lakes Asset Corp.**

Green Bay – 2 Loans for

\$1,000,000

**Hometown Bank** Saint Cloud –

1 Loan for \$300,000

**Johnson Bank** Racine –

1 Loan for \$120,000

**JPMorgan Chase Bank NA**

Houston, TX – 7 Loans for

\$667,300

**Legacy Bank** Milwaukee –

2 Loans for \$667,000

**M&I Marshall & Ilsley Bank**

Milwaukee – 20 Loans for

\$3,753,900

**McFarland State Bank**

McFarland – 2 Loans for

\$181,500

**Milwaukee Economic Dev Corp**

Milwaukee –

1 Loan for \$1,540,000

**Monona State Bank**

Monona – 1 Loan for \$253,000

**Ozaukee Bank**, Mequon –

2 Loans for \$365,000

**Park Bank** Brookfield –

8 Loans for \$460,000

**Racine County Business Dev.**

Racine – 1 Loan for \$735,000

**River Cities Bank**

Wisconsin Rapids 1 Loan for

\$68,200

**River Falls State Bank**

River Falls – 1 Loan for \$365,000

**River valley State Bank**

Wausau – 1 Loan for \$155,000

**State Bank of La Crosse**

La Crosse – 1 Loan for \$68,000

**The Business Bank**,

Minnetonka, MN

5 Loans for \$435,000

**The First State Bank**,

New London –

2 Loans for \$463,000

**The Park Bank** Madison –

3 Loans for \$520,000

**The Reedsburg Bank**

Reedsburg – 1 Loan for \$50,000

**Twin Cities-Metro Cert Dev**

Shoreview, MN

1 Loan for \$361,000

**US Bank NA** Cincinnati, OH

27 Loans for \$1,650,300

**Waukesha State Bank**

Waukesha – 1 Loan for \$395,000

**Wells Fargo Bank NA**

San Jose, CA

18 Loans for \$1,560,000

**West Bend Savings Bank**

West Bend – 1 Loan for \$50,000

**Western Wisconsin Dev Corp.**

Almena – 1 Loan for \$179,000

**Wisconsin Business****Development** Monona –

10 Loans for \$4,038,000

**Wisconsin Community Bank**

Sheboygan – 1 Loan for

\$2,000,000

Cottage Grove – 1 Loan for

\$200,000

**TOTAL: 2 Loans for \$2,200,000****SBA May 2006  
Micro Loans****Advocap, Inc.**

1 Loan for \$7,000

**Northeast Entrepreneur**

1 Loan for \$2,000