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Message from the Regional Administrator Nuby Fowler

Making SBA Strong for Future Generations

One of SBA's greatest strengths is its capacity to change with the times. Since President Eisenhower signed the 1952 Small Business Act into law, thereby creating SBA, the agency has invested considerable time and resources to keeping its programs current with the changing needs of small business. We have only to look at how the flagship 7(a) loan guarantee program has developed over the past decade to prove the point.

From the days when direct lending gave way to federally guaranteed loans as the major source of SBA backed capital, the program has been in evolution. Guarantee percentages, loan sizes maximums, and fees have all been adjusted and readjusted over time as the President and Congress work to refine and strengthen the program. It has been an unfortunate truth, however, that because 7(a) is subject to the annual appropriations process, its stability and reliability have been adversely impacted by changing policy and budget priorities. The resulting program shifts have far too often created problems for both our lending partners and the small businesses we serve.

The unprecedented growth in SBA guaranteed lending since 2001 points to the program's increasing popularity among small businesses and confirms the Agency's role in job creation and growing the national economy. Year to year uncertainties about funding levels, however, are not healthy for either SBA's strategic partnerships or for the public that looks to SBA as a central resource for small business services.

The President's 2005 budget proposal includes a simple and practical solution that will give 7(a) the stability it needs to provide small businesses with a reliable source of capital for years to come, while protecting the current 75 percent guarantee rate and without raising fees above the level they were from 1995 until 2001. For most borrowers, this means a change of less than \$10 in their monthly payment.

Further, the plan will give the 7(a) loan program \$12.5 billion in lending authority. As the single largest source of small business financing in America, the 7(a) program is too important to be subjected to loan size caps and program shutdowns year after year. The President's proposal will help to create a stable, strong 7(a) – something I think all of America's 25 million small business owners, as well as SBA's many lending and technical assistance partners, will applaud.

A Special Farewell to Sutton Landry, director of the Northern Kentucky Small Business Development Center

Sutton Landry, director of the Northern Kentucky Small Business Development Center, passed away on August 17th. The following story is an example of and a tribute to Sutton's commitment to small businesses. We had just published this article in the May-June Newsletter but thought it was a fitting tribute to Sutton to include it in this edition to show his dedication and desire to help small businesses and entrepreneurs.

Through research and active use of government programs, Ester Johnson's business has grown from one residential unit to approximately 100 buildings (residential and commercial), many of them rescued from pending demolition in this small city, just across the Ohio River from Cincinnati. This unbelievable growth started when Johnson's husband was laid off from his job; so the couple bought a tri-plex and to provide an income and a place to live. They lived in one of the apartments Ms. Johnson's resourcefulness has been supported by the Northern Kentucky Small Business Development Center, a facility which is partially funded by the U.S. Small Business Administration. Johnson's alliance with the SBDC began in 1989 when Sutton Landry, SBDC Director, assisted her with some loan proposals. The relationship between Johnson and the SBDC has continued to the present time.

In addition to receiving accolades from the Kentucky Society of Architects, the Kentucky Post Outstanding Woman of The Year), and historic and beautification awards, the U.S. Small Business Administration presented Johnson with the 1994 Kentucky Woman Owned Business Award. To add to her knowledge of women owned businesses, Johnson was chosen to serve on a woman's task force to study Kentucky businesses. This study was presented to the Kentucky governor. Johnson feels her business strength lies in her ability to take buildings that are vacant and abandoned, find financing from both public and private sources to rehabilitate them, and then find a productive use for them that improves the community. She has gained expertise in the utilization of local and federal loan programs, investment tax credits for historic rehabilitation and low-income housing, and the use of limited partnerships, joining banks and non-profit organizations to undertake joint ventures.

After several successful purchases and renovations, Johnson began Classic Properties, which is a commercial development business. Through this company Johnson has renovated facilities for the Northern Kentucky Family Health Center, the Greenup House - a 19 unit housing complex for the local mental health agency, Comprehensive Care; offices for the Women's Crises Center, Maysville High School, and the local abandoned railroad hotel is now the home of Adams, Brooking, and Stepler Law Offices. The success of the rehabilitation of the Family Health Center building established her reputation as a developer who could use creative financing (historic tax credits, local CDBG assistance, etc.) to leverage private equity and loans to enable non-profit groups to buy and rehabilitate needed facilities. Interestingly enough, when Esther presented one of her first projects to a committee, the owners of the dilapidated building were told they should get a male contractor instead of her. She proved them wrong time and time again!

Johnson's passion for community development led her in 1992 to an interest in purchasing two burned-out buildings on Madison Avenue in Covington. As before, she again contacted the Small Business Development Center for advice on restoring the two structures. A few of Johnson's endeavors have been the financing and rehabilitation of a \$1.5 million project involving 21 rental units in 10 vacant, dilapidated buildings for Anawim, Inc. along with a restoration project on the Madison Theater in Covington. The Madison Theater is another story of passion for redevelopment. When Johnson bought the old theater she was approved for several different types of financing, including an SBA loan. Due to 9/11 and the drop in the stock market, the bottom fell out of tax credit purchases, and so the financing was never completed. However in typical Esther Johnson fashion, she took the mortgage on her own, rehabbed the building, and opened it as a movie theatre and community center.

Esther is back in school again, learning about the New Market credits and the Renaissance grants. She could probably teach a few courses on her own. "Esther Johnson is one of the sharpest business owners I know," says SBDC's Sutton Landry. "She does her homework and thoroughly understands the real estate business - from beginning to end. She is a pleasure to work with due to her knowledge and pragmatic focus. She does not have unrealistic expectations, and always examines the project benefits to the community with an entrepreneurial focus".

Esther says, "the SBDC work would have cost me \$5000 or \$6000 per job, which I can't afford. The rehab work would have never been done. Before I make any major decisions, I contact Sutton Landry at the Northern KY Small Business Development Center".

Coaches Corner

“Yes, Mr. Leno, SBA’s Kentucky District Programs “Have Teeth”!!

As we enter the final few weeks of the FY2004 season, I am pleased to tell you that the results on the scoreboard clearly show that the SBA Kentucky District Team is having an outstanding year. In fact, at this pace, we are on track to achieve all-time record setting results.

I would like to take this opportunity to thank all our collaborative lending partners, SBDC and SCORE counseling partners, and the SBA Kentucky District Team for a fantastic effort this year. The results in the lending category are representative of the excellent year the team is having. As of the third quarter, the team has experienced 160% growth in the number of 7(a) Loans, 131% growth in Micro Loans, and 183% growth in 504 Loans, respectively in FY2004 over FY2003.

As I have quickly learned upon my return to the great Commonwealth of Kentucky, basketball is the sport of choice and the name of the game. The only real remaining question is “what color does your blood run—Wildcat Blue or Cardinal Red?” So, it was a natural fit for the team to craft and launch a special FY2004 fourth quarter awards initiative by drawing from the basketball playbook.

This awards initiative, appropriately called “The Fourth Quarter Full Court Press” Award, is designed to help ensure that the SBA Kentucky District Team does, indeed, achieve the record setting results this year required to reach the playoffs. The winners in the various categories with the most points scored in Q4 will receive an award at our annual Lender’s Conference on November 5th. We look forward to an all-time record setting year and taking the team to the playoffs by moving up in the SBA national rankings. The leading contenders for the lending awards are highlighted in this newsletter. As you can see, the full court press is on and the clock is ticking.

As we plan for the FY2005 season, I am pleased to share the SBA Kentucky District Team’s new Vision and Mission statements with you. We believe the Vision statement does a good job of concisely and clearly painting the big picture of what the team is all about and that the Mission statement appropriately highlights the depth and breadth of our program offerings and their relative impact and contributions.

To better support the vision and mission, the team’s FY2005 strategic plan will include a set of strategic objectives and critical success factors, as well as winning team values and behaviors. These products are currently under development and will be launched by the end of FY2004. I look forward to sharing them with you in the next issue of the newsletter.

SBA KENTUCKY DISTRICT TEAM VISION

“GROWING PROSPERITY IN THE KENTUCKY COMMONWEALTH THROUGH SMALL BUSINESS OWNERSHIP”

MISSION

“The Mission of The Kentucky District Office of The U.S. Small Business Administration (SBA) is to maximize the positive impacts and contributions the SBA’s Capital Access, Capacity/Capability Building, and Contract Opportunity program offerings make to the Economic growth of The Kentucky Commonwealth, through collaborative partnerships with all Small Business community stakeholders.”

OF SPECIAL NOTE

With sadness, I learned Tuesday, August 17th, of the death of Sutton Landry, director of the Northern Kentucky Small Business Development Center. I did not have the pleasure of meeting Sutton, but I was aware of his efforts on behalf of the small business community in Northern Kentucky. I join the SBA Kentucky District Office staff in extending our sympathies to Sutton’s family and friends. He was a true champion for small businesses and will be missed.

Steven R. Ayers
Head Coach/District Director
SBA Kentucky District Team

***SBAExpress* Lenders – Are you using E-Tran?**

Over the last several years SBA has been working with numerous lenders to establish an electronic loan guaranty origination process. E-Tran provides an efficient and less costly way for lenders to obtain a loan guaranty. Access to the program is created through a number of channels including:

- A web page where lenders can enter loan information for single loans
- A secure web site capable of accepting multiple applications simultaneously via an XML (external markup language) file transfer

Working with software intermediaries that have E-Tran loan submission functionally built into their existing program

Any *SBAExpress* lender is eligible to use E-Tran. To learn more about E-Tran go to www.sba.gov/banking/modernization.

To get started, lenders should contact Stephen Kucharski at 202-205-7551 (stephen.kucharski@sba.gov) or Glenn Hannon at 202-205-7122 (glenn.hannon@sba.gov).

SBA Breaks All-Time Loan Record

Agency Has Already Surpassed 2003 Loan Numbers

U.S. Small Business Administration Administrator Hector V. Barreto announced today that, with almost two full months still remaining in the fiscal year, the SBA has already backed more loans in its 7(a) and 504 programs than ever before in its 51-year history.

As of August 6 – eight weeks before the end of fiscal year 2004 – the SBA's 7(a) loan program had guaranteed 67,493 loans in fiscal year 2004, more than the record 67,306 7(a) loans made in all of fiscal year 2003. In addition, the agency has backed 6,974 loans through its 504 program, surpassing the 2003 record of 6,863. The 2004 fiscal year ends on September 30. When compared to the same time period last year, these record-breaking numbers represent dramatic increases: 23 percent for 7(a) and 27 percent for 504.

“In 2003, the SBA set all-time records in its two major loan programs. It took us less than a year to break those records,” Barreto said. “I am proud that our loan programs, and especially our flagship 7(a), are growing and reaching out to more small businesses than ever before. I am hopeful that we can continue this trend, particularly if the President's proposal to make 7(a) self-sustaining is approved by Congress.

“Breaking records like this is about more than making history,” Barreto added. “This is good news for America's small business owners. It means that we are making a real difference in the lives of more and more entrepreneurs, and that they are going on to make a real difference in our economy. Over the last 11 months, American farms and businesses have created 1.5 million new jobs. We know that when the economy is growing and jobs are being created, small businesses are always in the lead. They are the engine of our economy, and I am proud to be able to work with President Bush to help create an environment in which they are succeeding.”

Not only has the SBA broken overall lending records, but it has also already exceeded 2003 numbers for some of the fastest growing segments of the small business community. With almost two months still remaining in the 2004 fiscal year, the SBA has already surpassed the total 2003 number of loans to African Americans, Hispanics, Asian Americans, women and rural entrepreneurs. When comparing with the same time period last year, the increases are even more dramatic. Loan guarantees to African Americans, Hispanics, and Asian Americans are 30 percent ahead of their totals at the same date last year. Loans to women are up by 25 percent, and rural loans are 11 percent ahead.

National Lender's Guide Now Available

The SBA National Lender's Guide is now available on the SBA web page at www.sba.gov/banking. This comprehensive guide includes chapters on loan eligibility, processing, closing, servicing, litigation and guaranty purchase. It is an excellent resource for every lender involved in SBA lending and an essential training tool for lenders new to SBA programs. If you cannot access the guide from our web page, call the Kentucky District Office Finance Division and we will be happy to provide the guide on CD.

Centralization of 504 Loan Processing

The Kentucky District Office has just become one of the newest participants in the pilot program for centralized 504 loan application processing. Effective July 26, 2004, all new 504 loan application packages that would have previously been sent to the Kentucky District Office will be processed by the Sacramento PLP Processing Center. It is anticipated that the centralization of 504 processing will result in consistent loan analysis and quicker processing times.

Primary lenders who provide 50% financing of the project and take a first collateral position will continue to work directly with the Certified Development Company (CDC) on 504 projects.

The 504 loan program provides fixed rate, long term financing for real estate and equipment. For additional information, contact one of the following CDCs or the Kentucky District Office:

Capital Access Corporation-KY
502.584.2175

Commonwealth Small Bus. Dev.
502.696.9444

Community Ventures Corp.
859.231.0054

Horizon Certified Development Co.
513.631.8292

Purchase Area Dev. District
270.247.7171

Thanks to all the participants that helped make the second Small Business Development Day on July 27, 2004 in Somerset, Kentucky a great success.

Top Kentucky SBA Lenders as of July 31, 2004

Lenders Listed by number of SBA Guaranteed Loans for both 7(a) loans and 504 loans:

Regional Lenders

- National City Bank
- PNC Bank
- US Bank
- Capital One
- Fifth Third Bank

Community Lenders

- Traditional Bank
- Community Trust
- Paducah Bank

Certified Development Companies (504 Loans)

- Capital Access Corp-KY
- Commonwealth Small Business Development Corp.

For the month ending July 31, 2004, there were 51 (7a loans) approved and 3 (504) loans approved. Here are the rankings for the “Full Court Press Award”.

Regional Lenders	PNC	8
	Capital One	7
	National City	7
	Bank One	4
	US Bank	4
Community Lenders	Louisville Community Development Bank	2
	Paducah Bank	2
	Traditional Bank	2



U.S. Small Business Administration
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2004 Lender Training Schedule

Date	Training Program	Presented by
Sept 16 th	- Loan Closing and Servicing Guaranty Purchases & 1502 Reporting (Concurrent Session)	Karen Wright Diana Hurley
October 21 st	- Loan Processing and Liquidation	Karen Wright/Tommie Causey
November 5 th	- Kentucky Lenders Conference	

Location: Training for July through October will be held in the Seaside Room of the Romano Mazzoli Federal Building

Small Business Development Days Schedule

August 26th	Holiday Inn Express	Middlesboro, KY
September 14	Jenny Wiley State Park	Prestonsburg, KY

Small Business Development Days are also planned in Ashland, Morehead, Richmond and Nicholasville and will be scheduled in the near future.

For additional information about Small Business Development Days,

Email: amcalister@centertech.com or call 606.677.6082

Join us on November 5, 2004 for the 2004 Lender's Conference

Spend the day getting the up-to-date information you need to make guaranty loans and meet SBA and their partners. Registration forms will be e-mailed or faxed in mid September. Make sure you get your registration form in quickly to reserve your seat for this year's conference.

Presented by the Kentucky SBA Lender Conference Association, Will Bowdish, President

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