

Bank Notes

A Newsletter for Michigan Lenders

April 24, 2009

Issue 156

2009 SBA Lenders' Conference and Awards

Over 180 people attended our 11th Annual Michigan SBA Lenders' Conference on March 20th. This conference received very high marks, and we appreciate the contributions made by all of the guest speakers who added so much to our program.

Once again, the Michigan District Office presented its annual awards to SBA lenders for their outstanding performance in the previous fiscal year. Pictures of each award winner with District Director Richard Temkin are on page 5. Here are this year's winners:

Citizens Bank – “Lender of the Year”
Our traditional award for the best overall performance considering total volume, new markets, comparison with historical performance, etc. Citizens Bank approved 128 SBA loans worth more than \$28 million in fiscal 2008 and turned in an excellent performance in all areas.

Citizens Bank – “PLP Lender of the Year”
The most loans made by a preferred lender. Citizens Bank approved 70 PLP loans.

Bank of America – “504 Lender of the Year”
Best overall performance by a bank in support of the 504 loan program. Bank of America supported 16 504 deals for over \$8.5 million with four Michigan certified development companies.

United Structured Finance Company – “Community Lender of the Year”
Best overall performance among Michigan-based non-PLP lenders. It considers total volume, new markets, comparison with historical performance, etc.

Chase – “SBAExpress Lender of the Year”
Award for the lender which had the most SBAExpress loans. Chase approved 392 SBAExpress loans. This is the second year in a row that Chase has won this award.

Chase – “New Markets Lender of the Year”
Best overall performance in lending to new markets (minorities, women, and veterans), including the percentage of SBA loans that went to new markets and support for the full diversity of the population.

mBank – “Business Development Lender of the Year”
Award to the lender with at least 10 approvals in the prior year that had the largest percentage increase. mBank's loans jumped from 11 in fiscal 2007 to 16 in fiscal 2008, an increase of 45%.

Fiscal 2009 Second Quarter Lending Report

Loan program activity through the second quarter of fiscal 2009 for the Michigan District Office is shown below. The precipitous declines in all areas continue to be the largest, by far, in our experience. Clearly, they reflect the tumultuous conditions in the credit markets and the “difficult” secondary market for SBA loans. (Nationally, SBA lending is also down by substantial amounts.) The weak economy that we currently face is also a factor.

However, as in past recessions, the value of an SBA guaranty should be a very advantageous asset to help you meet the needs of many small business customers. In addition, we expect a positive impact on our lending activity due to the Recovery Act. Please see the “update” on page 3 for more information. Providing credit to the small business community will be an essential part of our recovery in Michigan.

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Change</u>
504 Loans	127	43	-66%
SBA Express	781	239	-69%
PLP	193	90	-53%
Other 7(a) Loans	103	62	-40%
Total 7(a) Loans	1,077	391	-64%
7(a) Dollars	\$160,239,000	\$76,571,000	-52%
504 Dollars	\$60,959,000	\$19,819,000	-67%
Loans to Veterans	77	14	-82%
Loans to Women	204	42	-79%

Michigan Celebrates Small Business

SBA's 2009 Michigan Small Business Person of the Year and champion awards, which are listed below, will be presented on April 30 during the fifth annual Michigan Celebrates Small Business awards dinner in Lansing. **We are proud that two of our Michigan awardees, Avinash Rachmale and Timothy Parker, are the national winners in their categories.** Josh Linkner, ePrize founder and Chief Executive Officer, will be the keynote speaker at the premier event in Michigan to recognize the importance of small business to the state's economy. For more information and to register, go to www.michigancelebrates.biz.

Michigan Small Business Persons of the Year

Bruce DeBoer, President & CEO
James Rabourn, CFO & VP
Robert Emaus, Executive VP
R.E.D. Stamp, Inc.
Byron Center

Michigan, Midwest Region, and National

Entrepreneurial Success Award

Avinash Rachmale
President & CEO
Lakeshore Engineering Services, Inc.
Detroit

Michigan, Midwest Region, and National Jeffrey Butland Family-Owned Small Business of the Year

Timothy Parker
President
Harbor Industries, Inc.
Grand Haven

Michigan and Midwest Region Small Business Exporter

George Boerigter
Chairman of the Board
SoundOff Signal
Hudsonville

Michigan and Midwest Region Veteran Small Business Champion

Frank Campanaro
President & CEO
Trillacorpe Construction
Bingham Farms

Michigan Financial Services Champion

Thomas Zernick
VP, Head of SBA Lending
Citizens Bank
East Lansing

Michigan Home-Based Business Champion

Carrin Weirauch
Owner
Down To Earth Toys
Ortonville

Michigan Minority Business Champion

James Ralph, Jr.
President
James Ralph Agency, Inc.
Southfield

Michigan Small Business Counselor

Philip Tepley
Technology Team Coordinator
Michigan Small Business & Technology Development Center
Grand Rapids

Michigan Small Business Journalist

Matthew Roush
Editor
Great Lakes IT Report
Southfield

Michigan Women in Business Champion

Joan Purgiel
Vice President
National City Bank
Manistee

Litigation Plans

Lenders are required by SBA regulations to submit a litigation plan for all non-routine legal expenses and for any legal expenses over \$10,000. These litigation plans are sent to the National Guaranty Purchase Center and then forwarded to District Counsel for review.

Please help us by submitting litigation plans for timely review and approval by SBA when expenses are anticipated to be over \$10,000, when they become more than \$10,000 as litigation progresses, or for any non-routine litigation regardless of cost. If a lender requests reimbursement for legal expenses over \$10,000 that were not reviewed and approved in advance, the agency may be precluded from reimbursing those expenses.

Reminder - Michigan Lenders Web Site Available

Have you checked out Michigan's SBA's Lenders Web page? This site contains past and current issues of Bank Notes, press releases concerning the SBA loan programs, Lenders Conference 2009 Resources and SBA Informational Notices. A link to the Lenders Web site is at the bottom of this page.

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.

First Thursday Lender Forum

The Lender Relations staff of the Michigan District Office will conduct Lender Forums via Ready Talk on the first Thursday of each month at 10:00 a.m. Each one will start with a brief overview of a particular topic. This will be followed by a general Q&A session that will end no later than 11:00 a.m.

The first session will be held on May 7, 2009 with a short overview and update on Recovery Act provisions followed by a Q&A on those provisions and other topics. Future sessions will feature the Lender Advantage initiative, *SBA Express/Patriot Express*, and topics that are requested by SBA lenders. Please contact Al Cook or Ken Kolasa with your suggestions.

Ready Talk is a Webinar program utilizing the internet and a conference call system. To access the system:

From your computer:

1. Logon to www.readytalk.com
2. Login as a participant using the access code 3051501
4. Enter your name, email address, and company name as requested

From your telephone:

1. Dial 866.740.1260
2. Enter the Access Code 3051501 & press #
3. Say hello!

If this is your first ReadyTalk Conference, we recommend that you test your browser compatibility and network connection prior to the conference by logging onto the ReadyTalk site and click on the "Test your Computer" button under the login.

Update on the American Recovery and Reinvestment Act

As we announced in issue 155 of Bank Notes, the SBA has temporarily raised guarantees to up to 90 percent on SBA's 7(a) loan program (except for *SBA Express*) through calendar year 2009, or until the funds are exhausted. Please see SBA Policy Notice 5000-1098 for further details.

The agency also temporarily eliminated fees for borrowers on SBA 7(a) loans and for both borrowers and lenders on 504 Certified Development Company loans, through calendar year 2009, or until the funds are exhausted. SBA Policy Notice 5000-1097 provides more information on this subject.

More recently, on March 27 SBA issued Information Notice 5000-1100 to increase the surety bond guarantee amounts to \$5 million through September 30, 2010. Links to all of these notices are at the bottom of this page.

In addition, several initiatives are being undertaken to help "unfreeze" the secondary market.

Policy Notice 5000-1097: www.sba.gov/idc/groups/public/documents/mi_detroit/sba_027074.pdf

Policy Notice 5000-1098: www.sba.gov/idc/groups/public/documents/mi_detroit/sba_027075.pdf

Policy Notice 5000-1100: www.sba.gov/idc/groups/public/documents/mi_detroit/mi_5000-1100.pdf

Policy Notice 5000-1103: www.sba.gov/idc/groups/public/documents/mi_detroit/mi_5000-1103.pdf

Treatment of Cancellations of Loans Approved Prior to the Recovery Act

Policy Notice 5000-1103 issued on April 10, 2009 covers the treatment of loan cancellations and changes to loans approved prior to the implementation of the Recovery Act provisions.

In summary, loans cancelled for the purpose of resubmitting as reduced fee and/or 90% guaranty loans will not be permitted unless the new loan request is not a replacement for the cancelled loan as determined on a case by case basis by the Standard 7(a) Loan Guaranty Processing Center in Citrus Heights, California. The request will be reviewed and a recommendation will be forwarded to the Director/Office of Financial Assistance for approval. The notice provides several factors that will make it more likely that SBA will approve the request.

The notice also covers limited debt refinancing that is added to a project under the 504 Development Company Program as permitted by the Recovery Act. Changes will be processed as amendments to the original loan and not as a new loan, in accordance with SBA's standard practice. Please see Policy Notice 5000-1103 for further details. A link to this page is at the bottom of this page. Questions should be directed to Allen Cook, Allen.cook@sba.gov or Ken Kolasa, Kenneth.kolasa@sba.gov at the Michigan District Office.

Lenders Supporting the 504 Loan Program

Through the second quarter of fiscal 2009, under the 504 Loan Program we approved 43 loans worth almost \$20 million. These loans were supported by 28 different third party lenders. The following lenders supported three 504 loans:

<i>Lender</i>	<i># of Loans</i>
Citizens Bank	3
Comerica	3
Macatawa Bank	3

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 5.25%**.

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.

Detecting Fraud in SBA Lending Programs

SBA has issued Information Notice 9000-1793 on this subject as lending institutions are often the first line of defense in identifying and reporting fraud to the SBA Office of Inspector General (OIG).

Every year, the OIG obtains multiple convictions of borrowers and loan agents that have committed fraud in the SBA business loan programs. The OIG's concerns about potential fraud have increased in light of the recent passage of the American Recovery and Reinvestment Act, which implements new lending programs and is intended to expand significantly SBA loan volume.

Detecting and reporting fraud is in the best interest of all program participants. Fraud undermines public confidence in

the public benefits of SBA lending programs, which support economic opportunity, small business growth and job creation. In addition, it can lead to higher program costs for borrowers and lenders, alike.

The SBA OIG would like to make lenders aware of fraud patterns that it continues to see in its investigations so you can be on the lookout for such fraud. Lenders and other program participants are urged to exercise a high level of diligence if there is suspicious activity and to report suspected fraud by contacting the OIG Hotline at 1-800-767-0385 or OIGHotline@sba.gov. Please see Information Notice 9000-1793 for further details. A link to this notice is at the bottom of this page.

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

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Citizens Bank



Chase



Bank of America



**United Structured
Finance Corp.**



mBank

Congratulations to Our Award Winners!