

Bank Notes

A Newsletter for Michigan Lenders

October 29, 2009

Issue 162

Fiscal 2009 Lending Report

Loan program activity for fiscal 2009 for the Michigan District Office is shown below. While the precipitous declines in all areas continue to be the largest in our experience, they do reflect substantial improvement compared to the previous quarterly report. Since implementation of both the temporary elimination of fees to the borrower and the 90% guaranty, our 7(a) loan approvals jumped from 15 to 29 a week - an increase of 93%! Most encouraging is that our monthly year-to-year comparisons turned positive in July, and our 4th quarter was up 14% over fiscal 2008.

Loans to businesses owned by minorities, veterans and women are important markets we continue to emphasize, and which sustained even higher declines last year. I want to thank all of SBA's participating lenders that supported our loan programs and Michigan's small business community in fiscal 2009. 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. Providing credit to the small business community will be an essential part of our recovery in Michigan. 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.

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Change</u>
504 Loans	225	152	-32%
SBAExpress	1,387	606	-56%
PLP	365	254	-30%
Other 7(a) Loans	203	273	34%
Total 7(a) Loans	1,955	1,133	-42%
7(a) Dollars	\$313,687,000	\$236,516,000	-25%
504 Dollars	\$107,216,000	\$74,534,000	-30%
Loans to Minorities	389	132	-60%
Loans to Veterans	114	54	-53%
Loans to Women	371	154	-58%

Nominations For Michigan Celebrates Small Business

Honor your best customers by nominating them for **SBA's 2010 Michigan Small Business Person of the Year** and other awards which will be presented on April 29, 2010 during the 6th annual **Michigan Celebrates Small Business** awards dinner in Lansing. (Note: customers need not have received an SBA loan to be nominated.)

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 customers for these awards. Just go to www.michigancelebrates.biz and click on "awards" at the top of the page.

2010 Michigan SBA Lenders' Conference

Don't forget to mark your calendar! SBA's 12th Annual Michigan SBA Lenders' Conference will be held March 23, 2010 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 or e-mail allen.cook@sba.gov.

U.S. Small Business Administration
477 Michigan Avenue, Detroit, MI 48226
P (313) 226-6075; F (313) 226-4769
E-mail michigan@sba.gov

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

Lenders Supporting the 504 Loan Program

For fiscal 2009, under the 504 Loan Program we approved 152 loans worth over \$74 million. This is the fourth highest number of 504 loans in Michigan that we have ever approved. These loans were supported by 64 different third party lenders. Given the lowest-ever 20 year fixed interest rate of 4.86%, we expect that an increasing number of lenders will take advantage of this program in the future. The following lenders supported seven or more 504 loans in fiscal 2009:

Lender	# of Loans
Chase	15
Bank of America	10
Huntington National Bank	8
Macatawa Bank	8
Citizens Bank	7
National City	7

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. The CDC portion is provided by 100% SBA guaranteed debentures, and the **current interest rate for the 20 year bond is 4.86%**.

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.

Proposal To Raise SBA Loan Limits

On October 21, President Obama announced several new measures as part of an ongoing effort to help small businesses access credit:

1. Seeking Legislation To Increase Maximum SBA Loan Sizes.
 - Raising lending limits on SBA's 7(a) and 504 programs:
 - From \$2 million to \$5 million;
 - Up to \$5.5 million for manufacturing firms under the 504 program;
 - Raising lending limits on the Microloan program from \$35,000 to \$50,000.
2. Taking Further Steps to Provide Small Businesses With Access to Credit By Supporting Community Bank Lending Through the Financial Stability Plan.
 - Improving access to credit for small businesses by providing lower-cost capital to community banks that submit a plan to increase small business lending;
 - Supporting small business lending in the hardest-hit rural and urban communities by making low-cost capital available to Community Development Financial Institutions.
3. Convening a Treasury-SBA Small Business Lending Conference to Work With Regulators, Lenders and Congress to Ensure Credit Is Available to Small Business.

A copy of the President's remarks and a fact sheet on the announcement can be found at: http://www.sba.gov/idc/groups/public/documents/sba_homepage/sba_rcvry_obama_evnt_remrks09.pdf.

Michigan Certified Development Companies

Economic Development Foundation-Certified

Grand Rapids, (888) 330-1776

Lakeshore 504

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

Metropolitan Growth and Development Corporation

Southgate, (734) 362-3477

Michigan Certified Development Corporation

Ann Arbor, (734) 660-8187
Cadillac, (231) 878-1302
Grand Rapids, (616) 560-5486
Lansing, (517) 886-6612
Mt. Clemens, (810) 329-4340

Oakland County Business Finance Corporation

Waterford, (248) 858-0765

SEM REsource Capital

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

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.

SBA's Lender Portal

Lender performance is evaluated by SBA through the use of SBA's Lender Portal. The Portal allows a 7(a) lender to view its own quarterly performance data, including its current historical composite risk rating, and peer and portfolio averages. Portal data 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 Portal access. Currently SBA issues only one Portal user account per 7(a) lender. Submission of 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
ATTN: Director, Office of Credit Risk Management
409 Third Street, SW
Washington DC 20416

Help us Demonstrate Your Success!

The Michigan District Office uses success stories to publicize SBA loans by using small businesses to tell the story. Currently, we are seeking businesses that have received loans due to the provisions of the American Recovery and Reinvestment Act. We are also looking for long term success stories that involve firms that have been in business for three or more years and have received an SBA guaranteed loan. Success stories are an excellent way to promote the small business that is profiled and to show how the lender was able to respond to their customer's needs and help it succeed. For more information, please contact Annette Hall at Annette.hall@sba.gov.

November 5th ReadyTalk Session

The next monthly ReadyTalk session for lenders is scheduled for Thursday, November 5 at 10:00 a.m. and will cover:

- New fixed interest rate
- New Unilateral Matrix
- Updates on loan activity
- General Q & A with participating lenders

ReadyTalk 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
3. Enter your name, email address, and company name as requested

From your telephone:

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

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

Please join us on November 5.

New Maximum Allowable Fixed Rate for 7(a) Loans

SBA Notice 5000-1128 announced the new maximum allowable fixed rate for 7(a) loans (other than SBAExpress or Export Express loans) submitted to SBA beginning October 1, 2009. (The maximum rate for SBAExpress and Export Express loans is prime + 6.5 for loans of \$50,000 or less and prime + 4.5 for loans over \$50,000.) These rates will be posted on SBA's Lender Web site (www.sba.gov/banking) or at www.colsonservices.com under "News and Rates." The rates for October are:

	Maximum Fixed Rate
	<u>Oct. 1-09</u>
<u>Maturities under 7 years</u>	
Loan greater than \$50,000	8.44
Loan between \$25,000 and \$50,000	9.44
Loan of \$25,000 or less	10.44
<u>Maturities of 7 years or more</u>	
Loan greater than \$50,000	8.94
Loan between \$25,000 and \$50,000	9.94
Loan of \$25,000 or less	10.94
The fixed base rate used to calculate the maximum fixed rates above was:	<u>Oct. 1-09</u>
	6.19

7(a) Fees and 504 Fees for Fiscal 2010

For 7(a) loans approved on or after October 1, 2009, the "Yearly Fee" due from lenders to SBA will be 0.55 percent (55 basis points) of the guaranteed portion of the outstanding balance on the 7(a) loan. This fee remains the same as for fiscal 2009.

For 504 loans approved on or after October 1, 2009, the "Annual Fee" paid by borrowers on an ongoing basis to SBA will be increased from zero percent to 0.389 percent (38.9 basis points) of the outstanding balance of the 504 loan. All other fees in the 504 loan program will be the same as for fiscal 2009, including the one-time guaranty fee that SBA is authorized to charge under Section 503(d)(1) of the Small Business Investment Act (which remains at zero percent).