

# Los Angeles District Office

# SBA LENDER UPDATE SBA

## Resources for America's Small Businesses

SUMMER 2010, VOL. 1

### Third Quarter SBA Loan Numbers Improve

**S**BA backed loans in Los Angeles, Ventura and Santa Barbara counties jumped 50.8 percent in the number of loans during the government's third quarter of FY 2010 and 92.5 percent in dollar volume compared to the same time last year.

Between Oct. 1, 2009 and June 30, 2010 the Los Angeles District Office financed a portfolio of 1,725 businesses in the amount of \$850.8 million compared to 1,144 businesses with \$442 million the same time last fiscal year – assisting small businesses to start, grow and succeed.

The SBA, technical assistance

partners, business owners and lenders all play a pivotal role in forging a robust economy and recovery.

As part of SBA's ongoing efforts, the Los Angeles District Office expanded lender, 8(a) and government contract training to assist local lenders and firms in seeking new opportunities and exploring new markets for future growth.

The top five lenders by number of SBA loans were: Well Fargo Bank, Center Bank, JPMorgan Chase Bank, Superior Financial Group, LLC and CDC Small Business Finance Corporation in the third quarter of FY 2010.

### Profit from Small Business Exports

In today's highly competitive and ever-changing, global business environment, lenders must be prepared to handle the varying needs of their clients. The president's National Export Initiative is encouraging and supporting small businesses to grow their businesses, and U.S. jobs, by going where nearly 96 percent of the customers are—outside the U.S.

The U.S. Small Business Administration has three exporting loan programs for small business exporters. The Export Working Capital Program can be used to help meet the needs of your clients filling orders from overseas buyers. The lender benefits of EWCP include supporting client growth; minimizing risk and accommodating customer needs; increasing fee income; program flexibility; increasing competitive advantage; and quick turnaround (even faster for SBA's preferred lenders).

SBA's Export Express finances loans and lines of credit up to \$250,000, and delegates the credit decision to the lender. Participating lenders can use their own forms and procedures and negotiate either a fixed or variable interest rate. The SBA provides a 36-hour turnaround on all Export Express submissions.

The International Trade Loan Program offers term loans to businesses that plan to start or continue exporting or that have been adversely affected by competition from imports. The proceeds of the loan must enable the borrower to be in a better position

### Patriot Express Loan Initiative Delivers

**I**n just three years' time, the Patriot Express Pilot Loan Initiative has supported nearly \$500 million in Patriot Express loans to small businesses owned and operated by veterans, reservists and their spouses.

Patriot Express Loans increased over the past two years due in part to the American Recovery and Reinvestment Act. To date more than 6,000 loans have been made with the average loan amount approximately \$82,000. Nearly 15 percent of those loans have gone to military spouses.

Patriot Express was launched June 28, 2007, to expand upon the



nearly \$1 billion in loans SBA guarantees annually for veteran-owned businesses. SBA also offers counseling assistance and procurement support each year to more than 200,000 veterans, service-disabled veterans, reservists and members of the National Guard.

"America's veterans have the leadership skills and experience to become successful entrepreneurs and small business owners," SBA Administrator Karen Mills said. "The Patriot Express initiative, in conjunction with other SBA programs, puts more capital and more tools in the hands of veterans as they grow their businesses and create the jobs America needs."

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### The Lender's Advantage

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## ***New First Mortgage Loan Poolers Will Jump-Start Secondary Market for SBA 504 Loans, Make Credit More Available***

The U.S. Small Business Administration today announced the first nine loan pool originators authorized by the agency to assemble and sell pools of 504 program first mortgage loans, a major step to jump-starting a secondary market that should make fixed asset financing more widely available for small businesses.

The new program was approved under the American Recovery and Reinvestment Act.

Prior to the recent disruption in the credit market, a private secondary market for these loans existed, but has not revived as the economy has started to rebound. SBA expects this new program to breathe new life into that secondary market and improve access to credit for small businesses by providing a resource that can help boost liquidity to small business lenders.

"With the resources provided in the Recovery Act, we have engineered a turnaround in its SBA lending, putting nearly \$30 billion in the hands of small businesses across the country," said SBA Administrator Karen Mills. "This added support now to re-launch the 504 first mortgage secondary market builds on that success and will help leverage even more capital for small businesses to support their growth and create new jobs."

Under the program, the SBA will provide a government guarantee on pools of portions of eligible 504 first mortgage loans assembled by approved pool originators to be sold to third-party investors. Lenders will retain at least 15 percent of each individual loan, pool originators will assume 5 percent of the risk, and the SBA will guarantee the remaining 80 percent.

Typically, a 504 project includes three elements: a loan

(or first mortgage) secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a second mortgage secured with a junior lien from a Certified Development Company (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business borrower.

Under the new program, portions of the senior liens are pooled by pool originators and sold to investors in the secondary market. To be eligible to be included in a pool, the first mortgage must be associated with a 504 loan disbursed on or after February 17, 2009. The program will be in place until February 16, 2011, or until \$3 billion in new pools are created, whichever occurs first.

The pool originators approved so far are:

- Bank of America, N. A. of New York, New York
- Cantor Fitzgerald & Co. of New York, New York
- Citizens Bank of Elizabethton, Tennessee
- Coastal Securities, Inc. of Houston, Texas
- Community South Bank of Knoxville, Tennessee
- Fidelity Bank of Covington, Georgia
- Meadows Bank of Las Vegas, Nevada
- Morgan Stanley Bank, N.A. of Salt Lake City, Utah
- Voyager Bank of Eden Prairie, Minnesota

For additional information on the pool originators, visit <http://www.sba.gov/aboutsba/sbaprograms/elending/secondarymarket/index.html>. The list will be updated regu-

*Patriot: Cont. from page 1*

Additionally, SBA has entered an agreement with six major universities to expand and deliver entrepreneurship training for service-disabled veterans of the wars in Iraq and Afghanistan in a program called Entrepreneurship Bootcamp for Veterans with Disabilities (EBV). For more information go to [www.whitman.syr.edu/ebv](http://www.whitman.syr.edu/ebv).

Details on the initiative can be found at [www.sba.gov/patriotexpress](http://www.sba.gov/patriotexpress).

is available at: <http://www.sba.gov/ca/la/index.html>.

SBA also offers business counseling through veterans' business development officers in district offices in every state and territory to provide access to SBA's range of programs and services. SBA recently expanded the

Veterans Business Outreach Centers to 16 locations. They can be located at [http://www.sba.gov/aboutsba/sbaprograms/ovbd/OVBD\\_VBOP.html](http://www.sba.gov/aboutsba/sbaprograms/ovbd/OVBD_VBOP.html).

### **PATRIOT EXPRESS LOAN PROGRAM**



For those who are already small business owners and who expect call-up, the SBA and its resource partners can help with preparing their businesses before deployment, managing their businesses, selling goods and services to the government, obtaining other SBA financing and financial assistance, and obtaining loans for economic injury – Military Reserve Economic Injury Disaster Loans (MREIDL). Loans of up to \$2 million are available for small businesses sustaining economic injury because an owner or essential employee has been called to active duty as a military reservist.

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to compete. The program offers borrowers a maximum SBA-guaranteed portion of \$1.75 million. Funds may be used for the acquisition, construction, renovation, modernization, improvement or expansion of long-term fixed assets or the

refinancing of an existing loan used for these same purposes.

For more information on SBA's exporting loan programs go to [www.sba.gov/international](http://www.sba.gov/international) and click on Contact Your Local U.S. Export Assistance Center to locate the SBA trade finance manager servicing your area.