

CLEVELAND DISTRICT OFFICE NEWS  
 INFORMATION FOR THE SMALL BUSINESS COMMUNITY

Inside This Issue:

Loan Report	1
News for Our Lending Partners	2
SBA and KRBA Update Small Businesses on Building Credit, Alternative Financing	4
Cleveland District Office Training Seminars and District Office Staff Contact Information	4
SBA Export Loan Programs: Training on April 1, 9:00 am — 10:00 am	5
Northeast Ohio-UK Trade Mission — Led by NEOTEC and ITAC, June 6 — 13	6

*In News for Our Lending Partners:*

- *Announcement and FAQs on OCRM Lender Portal Update*
- *FAQs for 7(a) and 504 Lending Partners*
- *2nd Quarter "Peg" Rate and Maximum 504 Third Party Interest Rate*



Loan Report as of January 31, 2010

**7(a) and 504 Loans Combined**

Bank	Number Approvals	Dollars (In Thousands)
Huntington National Bank	86	\$14,352
JPMorgan Chase Bank	35	\$4,300
KeyBank	30	\$5,326
FirstMerit Bank	22	\$2,302
Fifth Third Bank	19	\$9,079

**504 Loans**

Bank	Number 504 Approvals
KeyBank	5
PNC Bank	5
First National Bank	4
Fifth Third Bank	3
FirstMerit Bank	3
Farmer's National Bank	2
Huntington National Bank	2

CDC	Number 504 Approvals	Dollars (In Thousands)
Growth Capital Corp.	13	\$4,950
Cascade Capital Corp.	5	\$1,703
Northwest Ohio Dev. Ass't.	4	\$1,295
Lake County SBAC	3	\$414
Mahoning Valley Economic Dev. Corp.	2	\$643
Stark Development Board	2	\$276
Community Capital Dev. Corp.	1	\$245
Mentor Economic Ass't Corp.	1	\$158
Ohio Statewide	1	\$294
West Central Partnership	1	\$1,412

# NEWS FOR OUR LENDING PARTNERS

## Announcement and FAQs on OCRM Lender Portal Update

In order to increase transparency, the Small Business Administration's (SBA's) Office of Credit Risk Management is adding loan level credit quality data to its Lender Portal. Starting with the June 30<sup>th</sup>, 2009 quarterly update, the Lender Portal will now include for each 7(a) lender and 504 Certified Development Company (CDC), or ("SBA Lenders"), a list of all the lender's outstanding loans. The loans will be separated into high, medium, and low risk categories. The category a loan is placed in is based on the Small Business Portfolio Solutions (SBPS) credit score a loan receives. Each risk category – high, medium and low- contains a range of credit scores consistent with that level of risk. This information will assist SBA Lenders to proactively monitor, manage, and mitigate the risk in their SBA loan portfolios.

### FAQs for SBA 7(a) and 504 Lending Partners

#### **What is the Lender Portal?**

The Lender Portal is the primary means through which SBA shares SBA lender performance information within SBA and with our 7(a) lenders and 504 Certified Development Company (CDC), or ("SBA Lenders"), lending partners.

#### **How often is the Lender Portal updated?**

The Lender Portal is updated quarterly, and includes the Lender Risk Rating, the Rating components, lender performance ratios, and lender credit quality ratios.

#### **What information is in the Lender Portal?**

In addition to individual SBA Lender data, there is corresponding peer group and SBA portfolio data for comparison. While SBA Lenders can view this data for their own portfolio, they are not able to view the individual Ratings and performance indicators for other SBA Lenders.

#### **Is there trend information in the lender Portal?**

The Lender Portal can be used for trending purposes, to view current quarterly data or the previous eight quarters of data.

#### **For what purpose does SBA use the Lender Portal?**

The Lender Portal is one component of the Office of Credit Risk Management's (OCRM) Loan and Lender Monitoring System (L/LMS). For more information on the Lender Portal, please see the "SBA Lender Risk Rating System" Final Notice published in the Federal Register at [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/olo\\_notice.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/olo_notice.pdf)

#### **What is the Loan and Lender Monitoring System (L/LMS)?**

L/LMS is OCRM's primary system for off-site monitoring/review and portfolio analysis of SBA Lenders. L/LMS is also used by OCRM in on-site reviews, delegated authority determinations, various performance and portfolio reports, and other OCRM risk management functions. L/LMS imports data on a monthly and quarterly basis.

#### **Does a lender need to provide additional information to the SBA?**

No. L/LMS does not require any additional information from SBA Lenders or borrowers.

#### **Does L/LMS work?**

Each month, L/LMS imports SBA data on new loan approvals and SBA performance data on over 350,000 outstanding 7(a) and 504 loans as reported by SBA Lenders. Quarterly, L/LMS imports Small Business Portfolio Solution (SBPS) credit scores (an off-the-shelf product produced by FICO and Dun & Bradstreet) using Dun & Bradstreet commercial and TransUnion consumer credit bureau data for all the disbursed and outstanding 7(a) and 504 loans. Like consumer credit bureaus, Dun and Bradstreet commercial credit bureau uses business data reported by third parties, such as vendors, utilities and insurance companies. The consumer credit bureau information is gathered on the principals and/or guarantors of the small business. The SBPS credit score produced by FICO is specific to small businesses.

#### **How often does L/LMS produce SBA Lender Risk Ratings (LRR)?**

Quarterly, L/LMS produces SBA LRR on over 4,500 active 7(a) and 504 lenders. This is a custom score, at the lender level, which uses both SBA lender performance ratios and SBPS credit score ratios. The LRR reflects the risk associated with the lender's portfolio of SBA loans.

#### **Can a SBA LLR be override?**

Certain factors may trigger an override of the calculated LRR to more accurately reflect the risk associated with an SBA Lender's loan portfolio. For more details on the LRR and overrides, see the web address above for SBA's Final Notice for the "SBA Lender Risk Rating System" published in the Federal Register.

#### **How often are SBA LLR and the SBPS credit score validated?**

The calculated SBA LRR and the SBPS credit scores are annually validated to verify that they remain predictive leading indicators of credit risk.

*(Continued on page 2)*

## News for Our Lending Partners *(continued from page 2)*

### **What effect do SBPS credit scores have on borrowers?**

SBPS credit scores are essentially 'soft hits' on the borrower's credit bureau reports. That means they can only be seen by the borrower, and they do not affect the borrower's personal credit score. These 'soft hits' are summarized on the credit bureau reports, but only in the copy that can be viewed by the borrower or owner/guarantor. No other entity that pulls a credit bureau report will see this list of 'soft hits' listed.

### **What improvements are being provided in the Lender Portal?**

First: Beginning with the June 30<sup>th</sup>, 2009 quarterly update, the Lender Portal will include for each SBA Lender a list of all outstanding loans (disbursed and not yet purchased or paid-in-full), identified by an SBA loan number. The loans will be separated into high, medium, and low risk credit categories based upon the SBPS credit score for each loan. The high/medium/low risk loan data is summarized to correspond to the high/medium/low summary information in the 'SBPS Score Breakdown' section of the Lender Portal. Loans on the list marked '999' were not able to be scored.

Second: In order to improve the predictiveness of the SBPS loan credit scores, as of June 30<sup>th</sup>, 2009, SBA upgraded from SBPS version 5 to version 6. SBPS version 6 is the newest in the normal periodic redevelopments and improvements to SBPS by FICO and Dun & Bradstreet.

### **How is high, medium, and low credit risk determined?**

Dun and Bradstreet gathers the credit quality data for all SBA loans. An analysis is then performed to develop three credit score ranges: high risk (lower score range loans), medium risk (middle score range loans), and low risk (high score range loans). The credit score ranges use natural breaks in the data to maximize the differences between purchase ratios among the three groups (high, medium, low).

### **What are the odds of a loan being purchased?**

The odds of purchase increase as the SBPS drops and decreases as the SBPS rises. Therefore, the probability of purchase for medium risk loans will be several times higher, on average, than the probability of purchase for low risk loans and several times lower on average, than the probability of purchase for high risk loans. These credit risk range determinations are performed separately for the 7(a) and 504 programs.

### **Is the SBPS predictable?**

The SBPS cannot predict for certain if an individual loan will purchase or become delinquent; however, SBPS has been demonstrated to accurately predict the relative probability of purchase and delinquency between groups of loans.

### **What do you need to do to view the new information?**

If a lending partner or SBA office is currently using the Lender Portal, the improvements can be viewed automatically with the June 30<sup>th</sup>, 2009 quarterly update. Lending partners that do not have access to the Lender Portal are strongly encouraged to apply for access so they may begin using the Lender Portal to assist in managing their SBA portfolio risk.

### **Who may apply for access to the Lender Portal and how?**

Currently over 800 7(a) lenders and 504 CDC partners have received access to the Lender Portal. A 7(a) lender or CDC is eligible for Lender Portal access provided they have at least one 7(a) or 504 loan outstanding (disbursed but not purchased or paid-in-full). Lending partners may request access to the system by following the application procedures outlined in the Lender Portal log-in page: <https://pdp.dnb.com/pdpsba/pdplogin.asp>. The application process is comprehensive to maximize the security and confidentiality of Portal data. Only one access per SBA Lender is granted.

### **Who is responsible for securing the Lender information?**

Once access is granted, information security becomes the responsibility of the SBA Lender. Accordingly, the SBA lender must timely notify OCRM if an employee or former employee must be terminated from Lender Portal access. To check on the status of an application for access to the Lender Portal or to notify SBA of any change in access authorization please contact Ehsan Rahman of OCRM at (202) 205-7610.

### **Are the individual lender Portal users responsible for security?**

Yes. Please be advised that Lender Portal users must take responsibility for protecting the confidentiality of the user password and for ensuring the security of the data. For more information on Lender Portal confidentiality, see 13 CFR 120.1060.

### **What additional information and resources are there?**

Additional information on L/LMS and the Lender Portal (general info, prior enhancements, definitions, data, etc.) can be found on OCRM's public SBA web page: <http://www.sba.gov/aboutsba/sbaprograms/olo/index.html>. On this web page you will also find additional information on OCRM (formally the Office of Lender Oversight), including the Lender Oversight Program Interim Final Rule, SOP 5100 for on-site reviews/examinations, etc.

### **What does the future hold?**

L/LMS is currently under regular periodic redevelopment. This type of regular periodic redevelopment is customary to ensure L/LMS remains current and predictive as technologies and available data evolve. In addition, OCRM seeks to continue to add features and helpful lender oversight and credit risk management data to the Lender Portal. We may also refine underlying formulas. As these developments are implemented, SBA will provide further notification. *(Continued on page 4)*

## SBA and KRBA Update Small Businesses on Building Credit and Alternative Financing in Today's Economic Climate

KENT - The Kent Regional Business Alliance (KRBA) hosted 50 representatives of Northeast Ohio's small business community at a financing workshop on Thursday, December 10, 2009 from 1:00 PM – 5:00 PM, followed by a networking session from 5:00 PM – 7:00 PM. The event took place at the NEOUCOMM Conference Center in Rootstown, Ohio. "Our partnership with the SBA and other regional small business resources is vital for helping our economy recover," states Jack Crews, CEO, KRBA. "In these challenging financial times, this workshop demonstrates our commitment to delivering timely and valuable knowledge to help businesses survive and expand."



SBA Cleveland Lender Relations Specialist Tom Sangrik addresses the attendees

Tom Sangrik, Lender Relations Specialist, SBA Cleveland District Office presented on SBA guaranteed loan programs for small businesses as part of a "Federal & State Business Loan Program Panel." Additional experts from Consumer Credit Counseling Services of Portage County's Family and Community Services Inc., the University of Akron New Business Legal Clinic, the Kent State University Ohio Employee Ownership Center, Cascade Capital Corporation, the Interface Financial Group and Tax and Financial Strategies were among the presenters that offered valuable tips and guidance on how to build business credit and how to assess the pros and cons of a variety of small business financing options, including factoring (using purchase orders to secure financing), government-backed loan programs seeking investors and borrowing from friends and family. Small business owners from Abison, Inc. and Architectural Refuse Solutions also shared their honest experiences with diverse financing and business planning in the current lending climate.

KRBA presents these workshops to provide assistance to small business as part of its State and SBA sponsored Small Business Development Center program. (SBDC) The hands on training supports the collaborative mission of the State of Ohio Department of Development, SBA and KRBA to assist existing business owners and entrepreneurs in discovering the resources available to maintain and expand their business, particularly in these unprecedented capital markets. For more information on KRBA please visit [www.krba.biz](http://www.krba.biz). ♦

## News for Our Lending Partners *(continued from page 3)*

### 2nd Quarter "Peg" Rate and Maximum 504 Third Party Interest Rate

The optional peg rate for fluctuating interest rates on guaranty loans is 3 3/4 percent (3.750%) for the January - March quarter of FY 2010.

Pursuant to 13 CFR 120.921(b), the maximum legal interest rate for any third party lender's commercial loan which funds any portion of the cost of a 504 project (see 13 CFR 120.801) shall be 6% over the New York Prime rate or, if that exceeds the maximum interest rate permitted by the constitution or laws of a given State, the maximum interest rate will be the rate permitted by the constitution or laws of the given State. ♦

**If you have any questions on this or any SBA loan matter, please contact our Lender Relations division at (216) 522-4180.**

### SBA Cleveland District Office 216-522-4180

Gil Goldberg, District Director, ext. 207

#### *Program Staff*

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Sonya Wagasky, ext. 202

***The Cleveland District Office holds monthly training for banks and the general public to acquaint them with SBA programs and services:***

***Government contracting briefing***—Briefings take place in our suite on the 2nd floor of 1350 Euclid, Cleveland, on the second Friday of the month between 10 a.m. and noon. No registration is necessary.

***Loan program briefing***—Briefings take place the 3<sup>rd</sup> Thursday of the month in our suite between 10 a.m. and noon. Registration is required. To reserve your seat, call (216) 522-4180.

***Loan packaging training for bankers***—Meetings are held between 10 a.m. and noon in our suite on the last Wednesday of the month. Registration is required. Call (216) 522-4180 for a reservation.



## **SBA Export Loan Programs**

- ❖ Export Working Capital Program (EWCP)
- ❖ Export Express
- ❖ International Trade Loans

The “world is flat” and small businesses are participating in the world economy in record numbers. Consider the following

- 70% of all exporters have fewer than 20 employees
- Small and Medium Sized Enterprises (SME) account for 30% of export value
- SMEs exported over \$300 Billion worth of merchandise in 2008.

How can you support these growing businesses and their need for capital while still maintaining prudent lending standards? SBA participating lenders are invited to learn how to use SBA export finance programs to provide these growing businesses with financing solutions while still maintaining an acceptable level of risk. This training will be provided by Patrick Hayes, SBA’s Regional Export Finance Manager. Please join us:

**When:** April 1, 2010, 9:00 am EST – 10:00 am.

**Dial in instructions:** 1-866-740-1260; passcode 3755002  
[www.readytalk.com](http://www.readytalk.com); pass code 3755002

**Questions – call Patrick Hayes on 216-522-4731 or [Patrick.hayes@sba.gov](mailto:Patrick.hayes@sba.gov)**



# NORTHEAST OHIO - UK TRADE MISSION JUNE 6 - 13, 2010



**NORTHEAST OHIO**  
Trade & Economic Consortium

The mission will be led by the  
**Northeast Ohio Trade and Economic Consortium (NEOTEC) and  
the International Trade Assistance Center (ITAC).**



International Trade  
Assistance Center

*Are you new to export or want to expand your export activity in the United Kingdom and Europe?*

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*Are you a potential supplier to the 2012 Summer Olympics?*

\*\*\*\*\*

*Do you want to reach several potential customers in a short period of time - at an affordable cost?*

ITAC staff will facilitate meetings as well as assist companies in market entry preparation, understanding the legal aspects of agreements, adhering to export/import regulations, and negotiating with potential partners.

This is also an opportunity to attend 5 trade shows under one roof in England to look at the world's advanced manufacturing technologies at the UK's leading trade show on all aspects of manufacturing and manufacturing technology.

Supported by the following organizations:



**MAGNET**  
Manufacturing Industry & Small Business



**Ohio** | Department of  
Development

**For more information please complete form below.**

**Fax completed form to  
330-672-2259**

or

**e-mail: [kbonacci@neotec.org](mailto:kbonacci@neotec.org)**

**REGISTRATION DEADLINE IS MARCH 5, 2010**

<b>Name</b>	_____
<b>Job Title</b>	_____
<b>Company</b>	_____
<b>Address</b>	_____
<b>Phone</b>	_____
<b>Email</b>	_____



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