



# Bank Notes

## A Newsletter for Michigan Lenders

October 17, 2007

Issue 147

### FY 2007 Lending Report

Not a record, but still an excellent year for SBA lending in Michigan. While this was the first year since FY 2002 that the number of SBA loans in Michigan did not set a record, our 3,313 loans was still the second-highest number of loans ever approved in the state. Nationally, SBA had a record-breaking year by backing over 110,000 loans totaling more than \$20 billion, both slight increases over last year.

Statewide, the Michigan District Office guaranteed a total of 3,313 loans worth almost \$495 million. This was a decrease of 11% in the number of loans, and 10% in their dollar value, over the previous year. There was a decline in 7(a) lending by 10% and 504 lending by 12% compared to last year; however, in both cases these were the second-highest number of loans ever done in Michigan.

I want to thank all of SBA's participating lenders that supported our loan programs and Michigan's small business community in FY 2007. 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, and I look forward to building upon our past success to continue the growth in our mutual support of the state's small business community.

Shown below is a comparison of our loan activity for FY 2006 and FY 2007.

Loan Programs	Loans - FY 06	Loans - FY 07	% Decrease
7(a)	3,461	3,102	10%
504	241	211	12%
<b>Total</b>	<b>3,702</b>	<b>3,313</b>	<b>11%</b>
Women	630	591	6%
Veterans	203	174	14%

### 2008 Michigan Lenders' Conference

Mark your Calendar! SBA's 10th Annual Michigan Lenders' Conference will be held on **March 20, 2008** 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.

### 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.

### New Chief of Lender Relations

On October 15<sup>th</sup> Al Cook became the Chief of Lender Relations Division. This position has been vacant since Leslie Gierke retired in January. Many of you know Al as the organizer of our very successful annual SBA Lenders Conference. He has been the head of our Marketing & Outreach Division for 25 years - clearly time for a change!

More seriously, Al has become quite knowledgeable about our loan programs and, as the focus of our Lender Relations Division has shifted from processing to training and outreach, he is more than capable of leading our Lender Relations effort. Catherine Gase will be the Acting Chief of Marketing & Outreach.

### Nominations For Michigan Celebrates Small Business

SBA's 2008 Michigan Small Business Person of the Year and other awards will be presented on April 24th during the 4th annual **Michigan Celebrates Small Business** awards dinner in East Lansing.

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 borrowers for these awards. Just go to [www.michigancelebrates.biz](http://www.michigancelebrates.biz) and click on "awards" at the top of the page.



### Changes to 504 and 7(a) Guaranty Fees

SBA Notice 5000-1030 announced revised fees for both the 504 and 7(a) loan programs for loans approved during FY 2008. These fees are imposed under Section 503(b)(7) of the Small Business Investment Act and Section 7(a)(23) of the Small Business Act, respectively. These fees, plus the other fees paid to SBA, are designed to keep each of these lending programs at a zero subsidy rate. At this time there are no changes to any of the other fees payable to SBA in either the 504 or 7(a) programs.

#### **504 Loan Program**

For 504 loans approved on or after October 1, 2007, the "ongoing guaranty fee" paid by borrowers to SBA will be 0.021 percent (2.1 basis points) of the outstanding balance of the 504 loan. In addition, the one-time guaranty fee that SBA is authorized to charge 504 borrowers has been reduced from 50 basis points to zero basis points.

#### **7(a) Loan Program**

For 7(a) loans approved on or after October 1, 2007, the "yearly fee" due from participants to SBA will be 0.494 percent (49.4 basis points) of the guaranteed portion of the outstanding balance on the 7(a) loan. In the 7(a) Authorization Wizard this is referred to as the "ongoing service fee."

### Fraud Involving SBAExpress Loans

SBA Notice 9000-1703 updates the Office of Inspector General's (OIG) 2006 alert about fraudulent schemes detected on a number of SBAExpress loans. OIG has noticed an increase in the number of potentially fraudulent SBAExpress loans, so we have been asked to forward this information to our lenders and ask them to maintain a high level of diligence to identify and thwart this type of criminal activity. As a reminder, 13 C.F.R. § 120.197 **requires** lenders, Certified Development Companies, and others to notify the OIG "of any information which indicates that fraud may have occurred in connection with a 7(a) or 504 loan."

The perpetrators in SBAExpress fraud schemes have been borrowers and/or loan agents. Loan agents include packagers (who prepare loan paperwork for a fee) and referral agents (brokers who link prospective borrowers with prospective lenders). The same person may perform both roles. If an agent receives compensation from a borrower or a lender, SBA Form 159 must be completed by the borrower, the agent, and the lender.

Some of the patterns and indicators the OIG is seeing in these schemes are detailed in the Notice and we encourage all SBA lenders to go to this link and click on "Fraud Involving SBAExpress Loans, Sept. 28, 2007" to read it:

[http://www.sba.gov/localresources/district/mi/mi\\_lender-info\\_notices.html](http://www.sba.gov/localresources/district/mi/mi_lender-info_notices.html)

### USCIS (INS) Verification

The following information was recently received by SBA from USCIS (INS). It is effective immediately. We have been asked to share this information with the CDCs and lenders:

For your information, the Status Verification Operations Branch is centralizing the verification process to selected DHS/USCIS Status Verification Units. This centralization effort took effect on October 1 and should appear on the Customer Processing System for automated agency sites. The DHS/USCIS Status Verification Units will provide these instructions, as well, with the manual requests received/rerouted to the respective DHS/USCIS site.

The office processing verification requests for Michigan is the Los Angeles USCIS Field Office address:

U.S. Citizenship and Immigration Services  
300 N. Los Angeles Street, B120  
Los Angeles, CA 90012  
Attn: Immigration Status Verification Unit

### Reminder - Michigan Lenders Web Site Available

Have you checked out Michigan's SBA's Lenders Web page at [www.sba.gov/mi/mi\\_lenderspage.html](http://www.sba.gov/mi/mi_lenderspage.html). This site contains past and current issues of Bank Notes, press releases concerning the SBA loan programs, downloadable copies of the 7(a) application forms, links to SBA's Electronic Lending Web site, SBA Information Notices, and more.

**U.S. Small Business Administration**

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**Michigan Lender's Web site [www.sba.gov/localresources/district/mi/mi\\_lenderspage.html](http://www.sba.gov/localresources/district/mi/mi_lenderspage.html)**



## Lenders Supporting the 504 Loan Program

For FY 2007, under the 504 Loan Program we approved 211 loans worth \$116 million. These loans were supported by 66 different third party lenders. These are the lenders which supported 6 or more 504 loans:

<b>Lender</b>	<b># of Loans</b>
Fifth Third Bank	26
Chase	17
Citizens Bank	14
Comerica	10
LaSalle Bank	8
Zions First National Bank	8
National City Bank	7
Capitol Bancorp	6
Macatawa Bank	6

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 6.54%**.

For more information, please contact one of the CDCs listed in the next column. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

## Michigan Certified Development Companies

**Economic Development Foundation-Certified**  
Grand Rapids, (888) 330-1776

**Lakeshore 504 - South Office**  
Holland, (616) 392-9633

**Lakeshore 504 - North Office**  
Grand Haven, (616) 846-3153

**Metropolitan Growth and Development Corporation**  
Detroit, (313) 224-0820

**Michigan Certified Development Corporation**  
Lansing, (517) 886-6612

**Oakland County Business Finance Corporation**  
Waterford, (248) 858-0765

**SEM REsource Capital**  
Livonia, (734) 464-4418

**SEM REsource Capital**  
Grand Rapids, (616) 242-5153

## IRS Starts e-Newsletter for Small Businesses

The Internal Revenue Service (IRS) has started a news service called **e-News for Small Businesses**. Distributed every Wednesday, it brings timely, useful tax information right to your computer, including, but not limited to:

- Important, upcoming tax dates
- What's new on the IRS Web site
- Reminders and tips to assist small businesses with tax compliance
- IRS news releases and special IRS announcements that pertain to small businesses

e-News' convenient format will put IRS tax information at your fingertips. "Useful Links" brings you quickly to some of the most useful information on IRS.gov for large and small businesses and the self-employed

For a free subscription to e-News, just go to the IRS Web site at <http://www.irs.gov/businesses/small/index.html> and click on "e-News for Small Business" in the left column. When the Web site comes up, type in your e-mail address and hit the "submit" button. You may want to pass this information on to your small business customers.