



# Bank Notes

## A Newsletter for Michigan Lenders

January 18, 2008

Issue 148

### Special Speakers Headline Lenders Conference

The 10<sup>th</sup> Annual Michigan SBA Lenders' Conference will feature three leading experts in SBA lending, including **Jane Palsgrove Butler**, NAGGL Executive Vice President for Lender Relations. Jane is the former SBA Associate Administrator in the Office of Financial Assistance, where she was responsible for administration of SBA's commercial loan programs including the 7(a) program and the 504 program. In October 2001, Butler received the Presidential Meritorious Executive Award which recognizes leaders who consistently demonstrate strength, integrity, industry and a relentless commitment to

excellence in public service. Jane will lead three workshops at the conference: the Advanced Lender Roundtable, SBA *Express*, and Utilizing the Secondary Market.

**Frank Pucci** is the Director of SBA's Standard 7(a) Loan Guaranty Processing Center in California, where he is responsible for processing all guaranty loan applications that are not submitted through the *Express* or PLP programs. Mr. Pucci will conduct a workshop entitled, "SBA Loans: Getting Started" for lenders who are unfamiliar with the SBA loan guaranty program.

**Richard Blewett**, Manager of SBA's Office of Financial Operations in Washington, D.C., and former Director of the National Guaranty Purchase Center, will make a presentation on SBA's new "10 Tab" process to expedite guaranty loan requests.

Look for the complete conference brochure and registration information to arrive in mid-February. Mark your calendars now for Thursday, March 20<sup>th</sup> at the Kellogg Center in East Lansing.

### Fiscal 2008 First Quarter Lending Report

The loan program activity for first quarter of fiscal 2008 for the Michigan District Office is shown below. While 7(a) lending is down significantly, this is due entirely to a substantial decline in our SBA *Express* loans. On the other hand, 504 loans are up 24%. The 161% increase in "other 7(a) loans" reflects the successful impact of SBA's Standard 7(a) Loan Guaranty Processing Center. Loans to businesses owned by veterans and women are two important markets we continue to track. As always, we appreciate your support of SBA's loan guaranty programs.

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Change</u>
504 Loans	51	63	24%
SBA <i>Express</i>	725	404	-44%
PLP	105	102	-3%
Other 7(a) Loans	18	47	161%
<b>Total 7(a) Loans</b>	<b>848</b>	<b>553</b>	<b>-35%</b>
7(a) Dollars	\$98,792,000	\$82,324,000	-17%
504 Dollars	\$26,528,000	\$27,597,000	4%
Loans to Veterans	42	37	-12%
Loans to Women	128	113	-12%

### Patriot Express

To date, 13 loans have been made by eight different lenders under Patriot Express. This pilot initiative integrates all of SBA's programs and services to veterans and members of the military community.

Patriot Express loans may go up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans above \$150,000 to \$500,000. For loans above \$350,000, lenders will be required to take all collateral available. As with SBA *Express* loans, Patriot Express uses a streamlined process which results in an almost immediate SBA response.



### Overcoming the Trade Finance Conundrum

There has never been a better time for U. S. companies to export. New trade agreements have opened markets abroad and, with the weakening dollar, products made in the U. S. have become very price competitive in foreign markets. This also presents an opportunity for lenders either looking to grow existing clients or hoping to win new ones.

Unfortunately, the market's demand for revenue maximization has a built-in preference for large customers and larger deals. This inadvertent bias has left many small export businesses with financing needs that are not sizeable enough to be attractive to large trade banks. In addition, credit risk insurance is by its nature focused on receivables; it cannot address the performance risk inherent in pre-shipment financing. This is often the Achilles heel of early-stage exporters who may lack adequate supplier terms. Community banks, which routinely serve and know this customer base, are well positioned to meet those small business exporter finance needs.

Adequate working capital is a critical need for small, emerging exporters. This is frequently not considered until the export contract has been signed and the working capital crunch becomes apparent. The demands of a longer cash cycle, inadequate supplier terms and an insufficient track record to qualify for bank financing are leading causes of cash flow problems for small, new exporters.

The SBA's Export Working Capital (EWCP) loan program can successfully address both the risk and liquidity challenges of small exporters. Whether needed as supplier financing or as support for a long cash cycle with extended sales terms, SBA guaranteed export loans can provide needed working capital (see [www.sba.gov/services/financialassistance/SpecialPurposeLoans/ewcp/index.html](http://www.sba.gov/services/financialassistance/SpecialPurposeLoans/ewcp/index.html)).

EWCP features SBA's highest loan guarantee, a 90% share that can be leveraged by community banks to mitigate performance risk. Transaction financing up to \$2 million is now possible with an EWCP loan, thanks to a co-guaranty agreement SBA has with Export-Import Bank of America. The participating community bank benefits from this federal, inter-agency collaboration since only one loan authorization is needed.

For more information, please contact SBA's export finance expert in Michigan:

John O'Gara  
8109 E. Jefferson, Suite 110  
Detroit, MI 48023  
(313) 226-3670  
Email: [john.o'gara@mail.doc.gov](mailto:john.o'gara@mail.doc.gov)

### SBA Lender Window Decals

Three lender window decals are available for Michigan's SBA Preferred, SBA Express, and Patriot Express Lenders.

To receive any of these window decals, please e-mail Allen Cook at [allen.cook@sba.gov](mailto:allen.cook@sba.gov) with the following information:

Type and number of decals needed (Preferred, Express and/or Patriot), company contact name and address.

### 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.

### 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 and SBA Informational Notices.



## Lenders Supporting the 504 Loan Program

For the first quarter of fiscal 2008, under the 504 Loan Program we approved 63 loans worth almost \$36 million. These loans were supported by 34 different third party lenders. These lenders supported three or more 504 loans:

<i>Lender</i>	<i># of Loans</i>
Chase	8
Citizens Bank	6
Fifth Third Bank	4
Huntington National Bank	3
GE Capital Small Bus. Finance	3
Macatawa Bank	3
National City 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 6.14%**.

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.

## 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