



U.S. Small Business Administration
Cleveland District Office

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December 2006 Newsletter
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For More Information
SBA Home Page: www.sba.gov

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.
- SBA Answer Desk: 1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-800-REG-FAIR

All of the SBA's programs and services

are provided to the public on a non-discriminatory basis.



LOAN REPORT as of November 30, 2006



Total Loan Volume – NOVEMBER 2006 (7(a) and 504 Combined)

Bank	Number of Loans	Dollars (In Thousands)
Charter One Bank	51	\$2,322
National City Bank	46	\$5,086
Huntington National Bank	33	\$14,643
KeyBank	33	\$7,307
JP Morgan Chase Bank	32	\$3,050

504 Loans

Bank	Number of 504s
FirstMerit Bank	3
Huntington National Bank	3
National City Bank	3
KeyBank	2
Liberty Savings	2

CDC	Number of Approvals	Dollars (In Thousands)
Cascade Capital Corp.	6	\$4,646
Stark Dev Board Finance Corp.	5	\$1,297
Growth Capital Corp.	4	\$1,466
Lake County SBAC	1	\$394
MEACO	1	\$58
MVEDC	1	\$798

SBA Export Loan Webinar Planned

Participating lenders are invited to learn more about the U.S. Small Business Administration's (SBA) export lending programs by participating in an **SBA Export Loan Webinar**. The SBA has a variety of loan programs that are designed to meet the unique financing needs of small and medium sized exporters. The **SBA Export Loan Webinar** will be held on January 4, 2007 starting at 10:00 am EST.

The **Webinar** is designed to provide lenders with a better understanding of the SBA Export Loan programs available to allow their small business exporters to better compete in the global marketplace and still manage credit risk at an acceptable level. This is an excellent opportunity for lenders to learn the benefits of these programs.

There is no charge for this event. The SBA at the Cleveland U.S. Export Assistance Center (USEAC) is conducting the event. The USEAC is a one-stop shop for exporters. The SBA at the Cleveland USEAC works with lenders in Ohio, Kentucky, West Virginia, western New York and western Pennsylvania.

Exports from Small and Medium-sized Enterprises (SMEs) account for approximately 30% of all exports out of the United States. *SMEs are exporting*. For example, the U.S. Census Bureau reports that there are 10,887 small and medium-sized exporters in the state of Ohio. Nationwide, small businesses now account for a phenomenal \$158 billion worth of exports. Given the present trends in our economy, it is of critical importance that adequate trade financing is made available to small and medium sized businesses.

The January 4, 2007 Webinar will start promptly at 10:00 a.m. and will finish no later than 11:00 a.m. Participants can receive the audio portion of the event by calling 1-866-740-1260 and entering pass code 3708101. The graphic portion of the presentation can be viewed online by logging on to www.readytalk.com and entering the following participant access code: 3708101. Please contact Patrick Hayes of the Cleveland USEAC on 216-522-4731 or by e-mail on phayes@mail.doc.gov if you have any comments or questions. ♦

News for SBA Lenders

EPA's AAI Final Rule Compliance Now Required Of Phase I Assessments



The Environmental Protection Agency's ("EPA") final rule governing "All Appropriate Inquiries" ("AAI") under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") became effective on November 1, 2006. The EPA's final rule includes new requirements for Phase I Environmental Site Assessments ("Phase I") for landowners seeking to qualify for liability protections under CERCLA. The final rule is found at 40 C.F.R. Part 312.

After the date of this notice, SBA will require that 7(a) lenders and Certified Development Companies ("CDCs") comply with EPA's AAI final rule as part of their prudent lending practices and standard environmental due diligence when a Phase I is required pursuant to SOP 50 10. **Accordingly, 7(a) lenders and CDCs must ensure that a Phase I contracted for after the date of this notice meets the requirements of AAI. EPA has determined that a Phase I prepared in accordance with ASTM E1527-05 meets the AAI requirements.** SBA will issue an amended version of SOP 50 10, Subpart A, Chapter 7, pertaining to environmental policy and incorporating EPA's AAI final rule in the near future.

An AAI-compliant Phase I must be performed by an Environmental Professional. The AAI rule defines an Environmental Professional as "a person who possesses sufficient specific education, training, and experience necessary to exercise professional judgment to develop opinions and conclusions regarding conditions indicative of releases or threatened releases...on, at, in, or to a property, sufficient to meet the objectives and performance factors [of the rule]." 40 C.F.R. §312.10(b). An Environmental Professional must:

1. Hold a current Professional Engineer's or Professional Geologist's license or registration from a state, tribe, or U.S. territory (or the Commonwealth of Puerto Rico) and have the equivalent of three (3) years of full-time relevant experience; or
2. Be licensed or certified by the federal government, a state, tribe, or U.S. territory (or the Commonwealth of Puerto Rico) to perform environmental inquiries as defined in § 312.21 and have the equivalent of three (3) years of full-time relevant experience; or
3. Have a Baccalaureate or higher degree from an accredited institution of higher education in a discipline of engineering or science and the equivalent of five (5) years of full-time relevant experience; or
4. Have the equivalent of ten (10) years of full-time relevant experience. ♦

SBA New Markets Tax Credit Pilot Loan Program: Frequently Asked Questions

Why did SBA launch the New Markets Tax Credit Pilot Loan Program?

The U.S. Small Business Administration launched the New Markets Tax Credit (NMTC) Pilot Loan Program to increase lending to small businesses in economically distressed communities or “New Markets.” The pilot program will help small businesses by enabling Community Development Entities (CDEs) to combine the benefits of both the U.S. Department of Treasury New Markets Tax Credit Program and the SBAExpress or CommunityExpress 7(a) guaranteed loan programs to provide small businesses located in urban and rural communities greater access to financing and business training.

The pilot program, which is only available to 7(a) Lenders making new loans subject to Pre-Loan Agreements with CDEs, waives a regulation that limits a 7(a) Lender’s ability to sell any portion of an SBA guaranteed loan to anyone other than another 7(a) Lender. The waiver allows CDEs with New Markets Tax Credit allocations to purchase up to 90 percent of SBAExpress or CommunityExpress 7(a) loans up to \$150,000 made to New Markets Tax Credit (NMTC) “qualified” businesses in low-income communities as defined in §45(d)(2) of the IRS Tax Code. These new loans are guaranteed by the SBA.

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What loans qualify for the program?

SBAExpress and CommunityExpress loans up to \$150,000 made after November 3, 2006 are eligible. Only new loans held in the portfolio of the originating 7(a) Lender and made after November 3, 2006 are eligible. In addition, only loans subject to a Pre-Loan Agreement between the 7(a) Lender and a CDE will qualify. The Pre-Loan Agreement is described below.

What loans do not qualify for the program?

All other SBA 7(a) loans, 504 loans and Microloans are ineligible, and all SBA loans sold on the secondary market are ineligible.

If I am a 7(a) Lender how can I participate in this program?

You will need to be a 7(a) Lender approved for participation in either the SBAExpress or CommunityExpress programs and work with a CDE with a NMTC allocation. To locate a CDE in a particular geographic area use the following link <http://www.cdfifund.gov/> then click on [Impact We Make](#) and [Searchable Award Database](#) or Profiles of Awards, Sorted by State. For a list of CDEs with FY2006 allocation awards go to: <http://www.cdfifund.gov/docs/nmtc/2006/List.of.Allocatess.FINAL.pdf>

As a 7(a) Lender what must I need to do to participate in this program?

You must sign a Supplemental Lender Program Participation Agreement with the SBA Office of Financial Assistance in order to participate in the New Markets Tax Credit Pilot Loan Program. This supplemental agreement provides the guidance and procedures regarding the closing, servicing, sale or liquidation of loans in the pilot. You will need to enter into a Pre-Loan Agreement with a CDE, as provided for under the “Special rule for loans” in the U.S. Internal Revenue Service, Department of Treasury’s New Markets Tax Credit regulations. 26 CFR § 1.45-D-1(d)(8). This rule says that a loan is treated as made by a CDE, if there is a Pre-Loan Agreement between the loan originator and the CDE, requiring that the CDE

purchase the loan from the originating 7(a) Lender within 30 days after the date the loan is made.

As the originating 7(a) Lender you will perform the initial underwriting, close the loan, fulfill the terms of the Pre-Loan Agreement and sell no more than 90% of the loan to the CDE within 30 days after the date the loan is made.

In addition, as the 7(a) Lender you must retain at least 10% of the principal balance of the loan, excluding any premium amount paid, throughout the entire term of the loan. The 10% of any loan retained by you must be a portion of the unguaranteed interest in the loan.

You and the CDE purchasing the participation interest in the loan must sign an SBA-approved Participation Agreement, which sets forth the rights and obligations of the originating 7(a) Lender and the CDE regarding such matters as payments, servicing of loans, custody of collateral, subsequent sale of the loan, etc.

As the originating 7(a) Lender, you also are responsible to ensure that the loan will meet the criteria required for a “qualified” NMTC investment. SBA’s waiver of its regulations for purposes of the pilot is based on a requirement that all SBA-guaranteed loans made by the 7(a) Lender under the pilot are eligible for treatment as Qualified Low-income Community Investments (QLCI) under the IRS regulations governing the NMTCs.

Finally, as the originating 7(a) Lender you will continue to administer the loans during their entire term and remain responsible for all SBA requirements and payment of fees in accordance with the rules and regulations applicable to the loan program in which the loan was approved.

If I am a Community Development Entity how can I participate in the program?

You will need to be a CDE with a NMTC allocation and work with a SBAExpress or CommunityExpress Lender that makes loans in your NMTC service area. To locate a 7(a) lender contact an SBA District Office.

(continued next page)

Tax Credit Pilot Loan Program

(from page three)

As a CDE what must I do?

You will need to enter into a Pre-Loan Agreement with a 7(a) Lender as provided for under the “Special rule for loans” in the U.S. Internal Revenue Service, Department of Treasury’s New Markets Tax Credit regulations, 26 CFR § 1.45-D-1(d)(8). As a CDE purchasing participation interests in loans under the pilot, you must sign an SBA-approved Participation Agreement with the originating 7(a) Lender (described above). You and your investors bear the responsibility of demonstrating to the IRS the eligibility of the loan for the New Markets Tax Credit. SBA makes no legal or tax representation and assumes no responsibility if a loan or the purchase of any participation interest is deemed ineligible for QLCI status. As a purchasing CDE you may sell your interest in a SBAExpress or CommunityExpress loan made under the pilot only to either the originating 7(a) Lender, another 7(a) Lender or to another CDE with a NMTC allocation. For any subsequent transfers you must use an assignment of participation interest form that is acceptable to SBA.

What is the duration of the pilot?

The NMTC Pilot Loan Program expires on September 30, 2011. It may be extended if the Agency determines, based on evaluation that the pilot is achieving its intended purposes. The extension would be for no longer than the date on which no carryover of an unused NMTC allocation can be made. This is currently anticipated to be 2014, unless the U.S. Department of Treasury’s NMTC program is extended by legislation.

If the pilot ends before I have claimed all of the tax credits?

If SBA does not make this program permanent or extend this pilot program on or before November 3, 2011, a participating CDE may continue to hold any SBA loan participations in its portfolio and continue to earn the NMTC until the underlying loan is terminated.

How can I obtain more information?

To find the SBA District Office nearest you, visit our website at www.sba.gov. 7(a) Lenders desiring more information may contact John Wade at the SBA Office of Financial Assistance: john.wade@sba.gov, (202) 205-7505, and for questions of a general nature contact Peter Jacxsens at the SBA Office of Policy & Planning: peter.jacxsens@sba.gov; 202-205-6452. For information on the New Markets Tax Credit Program please contact the US Department of the Treasury, CDFI Fund at <http://www.cdfifund.gov/>. ♦

SBA Improves Federal Contract Opportunities for Small Business

*New Regulations, Agency Scorecards
Add Transparency and Accountability*

The SBA has announced several measures to help small businesses secure more federal government contracts. The centerpiece of SBA’s efforts is a new regulation requiring small businesses to recertify their size status on long-term contracts when a contract option is exercised, when a small business is purchased by or merged with another business or at the end of the first five years of a contract.

“This regulation will go a long way toward ensuring that contract awards get in the hands of small business owners, federal agencies get the proper credit toward their small business contracting goals and small business contract awards are fairly and accurately reported,” said SBA Administrator Steven C. Preston. “It is a win-win situation for everyone.”

The regulation was developed in coordination with the Office of Management and Budget’s Office of Federal Procurement Policy (OFPP). Historically, size status has been determined at the time of the initial offer on the contract and is retained over the life of the contract. However, federal agencies are increasingly using long-term contracts that with the exercise of contract options can extend to 20 years.

The new regulation does not require termination of contracts if size status changes, nor does it require changes to contract terms and conditions. SBA, also in cooperation with OFPP, is announcing today a Small Business Procurement Scorecard for 24 federal agencies. The scorecard, which is modeled after the President’s Management Agenda, will help more aggressively track and monitor the status of each agency’s small business goal achievement.

The SBA also announced that additional procurement personnel will be hired to help identify government contracting opportunities for small businesses and will work with the Administration’s Integrated Acquisition Environment initiative to more effectively cover the federal buying activities. ♦



Wednesday, January 31, 2007
2:00 p.m. – 3:30 p.m. EST

Teleconference on the SBA 504 Program to be held on Wednesday, January 31, 2007 from 2:00 p.m. to 3:30 p.m.

On January 31, 2007 between 2:00 p.m. and 3:30 p.m. EST, the Comptroller of the Currency will be conducting a web/telephone seminar on the SBA 504 loan program entitled “**Small Business Administration 504 Certified Development Company Loan Program**”. The program is targeted to Chief Lending Officers, SBA Lending Unit Managers, Commercial Real Estate Lenders, Small Business Lenders, Secondary Market Managers and Community Reinvestment Act and Compliance Officers. A brochure on the webinar can be downloaded at [http://www.occ.treas.gov/SBA_Brochure_\(1119\).pdf](http://www.occ.treas.gov/SBA_Brochure_(1119).pdf). Please consider participating! ♦