

SBA REPORTER

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For information about this newsletter, call Roger Hopkins, 206-553-7082 or e-mail roger.hopkins@sba.gov

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

Transition Team Arrives

The transition of leadership at the SBA from the George Bush administration to that of President-Elect Barack Obama is in full gear as of November 17. Acting administrator Sandy Baruah announced that senior staff at SBA is working with a transition team to provide information and bring them up to speed. He welcomed the team to the SBA and identified the team members as follows:

Fred Hochberg, former SBA Deputy Administrator, of The New School; **Ginger Lew**, former SBA Deputy Administrator, of Three Oaks Investments, LLC; **William Dohrman** of McKinsey & Co.; **Michael Warren** of Stonebridge International; **Kathleen Maher** of Milano, The New School for Management and Urban Policy; **Karen Mills** of MMP Group, Inc.; **Don Gips** of Level 3 Communications; **Lisa Brown** of the American Constitution Society; Louisa Terrell of Yahoo! Inc.; **David Hayes** of Latham & Watkins; **Thomas Perez** of the Maryland Dept. of Labor; **Reed Hundt**, an independent consultant; **Tom Wheeler** of Core Captain Partners, LLC; **Sarah Sewall** of Harvard's Kennedy School.

Helping small businesses **start, grow**
and **succeed**.



Your Small Business Resource

SBA Responds to Unprecedented Economic Crisis with New Lending Rules

Loan volume down nationally – first time in 5 years

Uncertainty in the financial markets has reduced small business lending under SBA's 7(a) loan program during October 2008 almost 50 percent from the same period last year. SBA approved 7,239 7(a) loans for \$1 billion during October 2007 compared to 3,340 loans for \$673 million during October 2008.

As a result SBA Acting Administrator Sandy Baruah announced two major changes in how the SBA loan program is administered. First, new SBA loans can be made with an alternative base interest rate, the one month LIBOR rate (London Interbank Offered Rate), in addition to the prime rate and the "Peg" rate, which were previously allowed. The second change allows a new structure for assembling SBA loans into pools for sale in the secondary market. Because an average interest rate is used, these pools are easier for pool assemblers to create, thus providing incentives for more investors to bid on these loans.

For a full explanation of these changes and how they are being implemented, click on this link: [SBA Procedural Notice 5000-1081](#).

As further explained in this notice, globalization of the financial markets led many SBA lenders to base their cost of funds upon the LIBOR rather than the Prime Rate. Historically, LIBOR rates, which are shorter term interbank lending rates, have been about 3 percentage points less than the Prime Rate. This differential helped SBA lenders to profitably make small business loans. Volatility of the international financial markets has reduced this 3-percent spread, and on some days LIBOR has actually exceeded the Prime Rate, resulting in substantial reduction in SBA loans.

Additionally, over 40 percent of SBA loan guaranty dollars are sold into the Secondary Market, providing a major source of liquidity for leading SBA lenders, particularly non-depository SBA lenders. With uncertainty in the financial markets, the convergence of Prime and LIBOR rates, and SBA lending based on the Prime Rate, SBA lenders are encountering significant problems with selling their SBA loans on the secondary market, thus limiting their capacity to make new SBA loans.

Although SBA posted a record year in 2007 with nearly 100,000 7(a) loans approved, that number dropped by nearly 30 percent in 2008. The dollar value of these loans fell 11 percent, from \$14.3 billion in 2007 to \$12.7 billion in 2008.

Director Seeks Ideas/Input

Nancy Porzio, director of the Seattle District office, is asking anyone who uses SBA's services to tell us how we can improve what we do. "How can the SBA improve access to our programs? What would you do to make SBA's programs more attractive to lenders and to potential small business borrowers?" Porzio asks for suggestions and responses to be sent to the following e-mail address:

economyideas@sba.gov.



SBA AND PARTNER NEWS AND TRANSITIONS

Thomas M. Sullivan, the Chief Counsel for the SBA Office of Advocacy, has resigned to return to the private sector. Appointed by President Bush in January 2002, he was the fifth confirmed Chief Counsel since Congress created the office in 1976.

The Office of Advocacy is charged with independently advancing the views, concerns, and interests of small business. The Chief Counsel does so before Congress, the White House, federal agencies, federal courts, and state policy makers. With a team of attorneys and economists the office works to reduce the regulatory burden federal agencies impose on small firms, conduct economic research, and publish data on small businesses' contribution to the economy.

Before joining the SBA Sullivan was the executive director of the National Federation of Independent Business's Legal Foundation.

SBA Officials and lending specialists are meeting with lenders in Western Washington to talk about the current state of the economy, the credit markets, and the impact of these issues on the state's small business community. The first session was held in Wenatchee and was attended by SBA Regional Administrator **Jennifer Kilgus**, Director of the Seattle District Office, **Nancy Porzio**, Lead Lender Relations Specialist **Mark Costello**, and Spokane Branch Manager **Ted Schinzel**. A second session was held in Tacoma November 25.

Additional forums are scheduled for December 5 in Seattle and on December 8 in Mount Vernon. The Seattle meeting runs from 8:30 – 10:00 a.m. at Evergreen Business Capital, 13925 Interurban Avenue South Ste. 100. In Mount Vernon the meeting will be held at the Economic Development Association of Skagit County, 204 Montgomery. It also runs from 8:30 – 10 a.m.

Ted W. Schinzel was officially announced as the Branch Manager for the SBA Spokane Branch Office in June. He is responsible for the management and strategic direction of all SBA programs in Spokane's Branch territory – 20 counties in eastern Washington and 10 counties in north Idaho.



Schinzel has an extensive background in economic development, with two decades of experience in jobs that helped business, communities, and government. He joined the SBA in 1990.

A Spokane native, Schinzel graduated from Shadle HS and has two BA degrees from Eastern Washington University - in Accounting and in Business. He also has an MBA in Finance from the University of Idaho. SBA is in Schinzel's blood; in 1963 his father, Robert Schinzel was part of the original SBA team that opened the Spokane office.



Evergreen Business Capital, formerly Evergreen Community Development Corporation, has changed its name and address. The

SBA 504 lender has moved to 13925 Interurban Avenue South, Suite 100, Seattle, WA 98168. Phil Eng, President of Evergreen Business Capital, said, "We changed our name so that business owners, lenders, commercial real estate brokers and everyone we work with will better understand what we do."

Leading Seattle District Office 7(a) Lenders thru October 31, FY'09 (3-plus loans)

U.S. Bank National Association	Minneapolis	31	\$4,793,000
KeyBank National Association	Cleveland	8	\$474,000
Wells Fargo Bank, National Association	Minneapolis	8	\$720,900
Fortune Bank	Seattle	4	\$673,200
Pacific International Bank	Seattle	3	\$240,200
Mountain West Bank	Coeur d'Alene	3	\$271,500
Columbia Bank	Tacoma	3	\$325,000
Additional 26 lenders with 2 or fewer loans		38	\$11,714,130
TOTAL 7(A) LENDING ACTIVITY		98	\$19,211,930

This loan volume for the Seattle District Office in the first month of fiscal year 2009 compares to 161 7(a) loans for \$23,088,800 during the same period last year.

504 Loans by CDCs (October through September 29, FY 2008)

Evergreen Business Capital	Seattle	7	\$3,392,000
Ameritrust CDC	Seattle	3	\$573,000
Northwest Business Development Assoc.	Spokane	1	\$144,000
TOTAL 504 LENDING ACTIVITY		11	\$4,109,000

This 504 loan volume for the first month of fiscal year 2009 compares with 16 loans totaling \$7,831,000 during the same period last year.

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