

SBA News and Views is a monthly publication of the SBA Wisconsin District Office. Its purpose is to provide Wisconsin lenders and small business leaders with up-to-date information on SBA programs and small business issues. It is distributed at no cost, and the reprinting of articles is encouraged

Serving America's Small Businesses

U.S. Small Business
Administration
Wisconsin District Office

Eric Ness, District Director
October 2007

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SBA Home Page
<http://www.sba.gov>

Wisconsin SBA Home Page
<http://www.sba.gov/wi>

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SBA Loan Guarantees Maintain Record Breaking Trend in FY 2007

The U.S. Small Business Administration posted record-breaking loan numbers again in FY 2007, expanding access to capital to thousands of entrepreneurs across America. SBA set records for both the combined number and dollar volume of loans, and increased loans to small businesses in underserved areas by more than 5.5 percent.

SBA approved 110,275 loans totaling more than \$20.6 billion under its two primary small business loan programs during the 12 months ending on September 30, 2007, compared with 107,233 loans worth \$20.25 billion in 2006. With the strong results in 2007, the combined outstanding loan balances in the 7(a) and 504 loan programs increased 6.5 percent to \$66.7 billion. The total does not include an additional \$2.65 billion in venture capital funding provided by SBA-licensed Small Business Investment Companies to more than 2,000 small businesses.

In Wisconsin, SBA approved 2,166 loans totaling more than \$439.5 million under its two primary small business loan programs during the 12 months ending on September 30, 2007, compared with 2,128 loans worth \$415 million in 2006.

“We play an increasingly vital role in enabling small businesses across the country to get the capital they need to start and grow their businesses, create

jobs and build their communities, and we do it through programs that operate without a taxpayer subsidy,” said Administrator Steve Preston. “This progress reflects the strength of our relationships with our lending and resource partners, who have been essential in providing record numbers of small business loans in each of the last six years.”

Although, SBA does not make direct loans to small businesses, the agency's use of its guaranty authority enables commercial lenders and Certified Development Companies to make loans to small businesses they otherwise would not have made.

Both primary loan programs combined set records this year. The 7(a) loan guaranty program – most often used for working capital – increased the number of loans from 97,290 in FY 2006 to 99,607 loans in FY 2007, although the dollar volume declined slightly from \$14.52 billion to \$14.29 billion. The Certified Development Company – or 504 – program, for the purchase of real estate and fixed assets provided 10,668 loans worth \$6.31 billion, up from the 9,943 loans worth \$5.73 billion in FY 2006.

In Wisconsin, the 7(a) loan guaranty program increased the number of loans from 1,931 in FY 2006 to 1,962 loans in FY 2007 and total dollar amount from \$307.9 million in FY 2006 to \$324.3 million in FY 2007. The 504-loan program increased the number of loans from 197 in FY 2006 to 204 in FY 2007 and total dollar amount from \$107.1 million in FY 2006 to \$115.2 million in FY 2007.

Nearly a third of all loans went to start-ups, and a third went to minority borrowers. In fact, loans to minority groups increased by 7 percent, with the largest increase coming in loans from African Americans, which increased by 23 percent from 7,238 to 8,903. Small volume increases were recorded in businesses owned by Asian American, Native Americans and women, while loans to Hispanics declined slightly. Overall, loans to businesses in underserved areas amounted to more than 36 percent of total loan approvals.

“We have made substantial progress in our ability to deliver loans to small businesses in underserved communities,” Preston said. “SBA lending in designated Enterprise Zones, HUB-Zones and Low and Moderate Income areas increased by better than 5 percent, more than twice the increase in lending overall. We remain committed to enabling small business success, particularly in underserved markets and those areas hard hit by disasters.”

The SBA’s loan programs have been setting records for six consecutive years, and have more than doubled since fiscal 2000, from 48,313 to 110,275. During this period, SBA has approved more than 555,000 loans worth more than \$107 billion to American small businesses, more than in the previous 10 years combined. Over this time, the agency’s total small business loan portfolio has grown to \$66.7 billion, compared to \$45.9 billion at the end of FY 2002 and \$62.6 billion a year ago.

Changes to 7(a) and 504 Guaranty Fees

Effective October 1, 2007

Each year SBA reviews the fees payable to SBA by 7(a) participating lenders (Lenders) and certified development companies (CDCs) as well as the borrowers to determine if they are sufficient to cover the estimated costs of the 7(a) and 504 loan programs. The purpose of this

notice is to announce the revised fees for both programs for loans approved during FY 2008, beginning October 1, 2007. These fees are imposed under Section 7(a)(23) of the Small Business Act and Section 503(b)(7) of the Small Business Investment Act. These fees, plus the other fees paid to SBA, will 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 7(a) or the 504 loan programs.

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.”

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.

Lenders are directed to forward questions to the local SBA field office.

Updated 504 Authorization Boilerplate and Wizard

This notice announces the release on October 1, 2007, of Version 2008 of the National 504 Authorization Boilerplate and Wizard, which replaces version 2007.

Version 2008 of the 504 Authorization will replace Version 2007 and be available on SBA’s servers, and at www.sba.gov beginning October 1, 2007. The 504 Authorization webpage is

www.sba.gov/aboutsba/sbaprograms/elending/authorizations/BANK_STAND_NAT_504_LOAN_AUTH.html. The National 504 Authorization is an Appendix to SOP 50-10(4).

The changes contained in this update are limited to changing the mandatory SBA Guaranty Fee (for 504) and the mandatory Ongoing Guaranty Fee (for 504) as described below. The new wizard has been modified to properly calculate these fees:

B1.b.(1) Project Financing

- **The SBA Guarantee Fee has been reduced to 0.000 by the SBA, effective October 1, 2007. This value can now be modified by the user (and set as a default) when advised by SBA that a change to the SBA Guarantee Fee has occurred. The current default has been set as follows:**
(1) SBA Guarantee Fee (a. x .000) \$[a. * 0.000]

B.6.a Project Financing

- **The Ongoing Guarantee Fee has been set to a default of 0.021 percent effect October 1, 2007. This value can be modified by the user (and set as a default) when advised by SBA that a change to the Ongoing Guarantee Fee has occurred.**

If you have any questions regarding the 504 Authorization, please submit your questions to the 504 Authorization e-mail box at auth-504@sba.gov.

SBA Advances Women-Owned Small Business Contracting

The U.S. Small Business Administration has announced steps to increase federal contracting opportunities for women-owned small businesses (WOSB). The agency submitted a comprehensive new rule for interagency review and anticipates its publication in coming months.

“Submitting the rule for interagency review is an important step forward in the rule-making process,” SBA Administrator Steve Preston said. “The SBA continues to work to increase federal contracting opportunities to women-owned small businesses through stronger accountability and transparency for federal agencies, better technology tools to help contracting agencies find the right women-owned business, and strong support from the agency’s district offices.”

In April of this year, SBA submitted, for interagency review, a draft final rule outlining the agency’s certification and protest procedures. In addition, SBA has completed analysis of the RAND Corporation’s report on the share of government contracts procured by WOSBs in various industries.

The new proposed rule is a necessary step, as SBA made substantial changes to the certification rule submitted earlier. By including the RAND report analysis and amendments based on public comments regarding the previous rule, the agency drafted a new comprehensive rule. As required under the Administrative Procedures Act and relevant Executive Orders, the agency submitted the rule for interagency review prior to its release for public comment as a proposed rule.

Meanwhile, SBA has implemented significant new initiatives to increase small business access to government contracts. This summer, it instituted a semi-annual Scorecard that reports on federal procuring agencies’ progress toward small business contracting goals, including the 5 percent goal for women-owned small businesses.

In addition, there are many resources currently available nationwide to assist WOSBs seek contracts at federal agencies, such as Small Business Development Centers, Women Business Centers, SCORE, Procurement Technical Assistance Centers,

and the Office of Small Disadvantaged Business Utilization Centers.

SBA’s Executive team is committed to continuing to increase federal contracting dollars to WOSBs. Over the last several years, WOSBs have been winning an increasingly greater share of federal procurement dollars. Contracts to WOSB accounted for \$11.6 billion in FY06 and 3.4 percent of federal procurement, an increase of \$1.4 billion or 0.3 percent from FY 2005.

504 Tools Available on the Internet

In a continuing effort to provide enhanced service, the U.S. Small Business Administration (SBA) is now providing several 504 tools on the Internet to assist SBA field offices and Certified Development Companies (CDCs), including 504 program guides, 327 servicing templates, and legal document templates.

504 Program Guides

These guides are now available to assist CDCs in obtaining certified status, establishing Accredited Lender Program (ALP) status, expanding into contiguous states [such as a Local Economic Area (LEA) and multi-state expansions], creating professional services contracts, etc. They are available at

www.sba.gov/aboutsba/sbaprograms/elending/programguides/index.html. If you have any questions, you may contact A.B. McConnell, Jr., Chief, 504 Program Branch at (202) 205-7238.

327 Templates

In order to assist the SBA in providing the fastest possible turn-around time on 504 servicing requests, the Agency has developed several servicing Templates; those are available at www.sba.gov/aboutsba/sbaprograms/elending/clc/servicing/index.html. Once you are at this site, go to item 8 under the section titled “Your Servicing Request May Require All or a Portion of the Following Items.” There you will find common loan servicing request templates.

Although not required, the templates were developed to aid CDCs in addressing the key elements necessary for SBA to consider the most common servicing requests. Once a template has been completed, forward it to the appropriate SBA loan-servicing center by e-mail or fax. If you have any questions concerning the templates, please contact your loan-servicing center.

Legal Document Templates

The SBA’s Commercial Loan Servicing Centers have previously streamlined loan-servicing processes through the development of templates for assumption and subordination agreements. The Agency and its CDC lending partners have recently worked together to enhance these state-specific templates. Although the use of these templates is not mandatory, SBA strongly encourages their use. The use of other forms will often require the CDC to substantially revise the document before it can be executed by SBA thus extending processing time. These templates are available at www.sba.gov/aboutsba/sbaprograms/elending/clc/servicing/index.html. Once you are at this site, go to the section (in the column on the right side of the page) titled Agreements which is under “Commercial Loan Centers.” Agreements will take you to the links for the Assumption and Subordination Agreements.

We hope you find these templates easy to use and understand. They include fill in and/or merge fields that can ease and speed their completion. Please submit the completed agreement *together with your servicing action/request*. The use of the templates will help speed the review and approval process resulting in better service to you and the small businesses your are assisting. If you have any questions concerning these templates, please contact your servicing center.

Other Government Agency Information

Internal Revenue Service (IRS) SSA/IRS Reporter

The SSA/IRS Reporter is a joint effort between Social Security Administration (SSA) and IRS. It communicates messages to businesses with employees that support trust fund, employment tax, and business tax compliance, with an emphasis on educating and encouraging these stakeholders to file their taxes electronically.

The Reporter carries general information about best payroll and employment tax practices and SSA products and services, such as changes in forms for reporting employee wages, W-2 Online, SSA filing procedures and Business Services Online.

The SSA/IRS newsletter also includes timely information from the Department of Labor, Department of Justice, Health and Human Services, and other government agencies.

Past issues, including the fall 2007 issue, are posted on IRS.gov www.irs.gov/businesses/small/article/0,,id=109886,00.html in English and Spanish.

IRS Offers Relief for Late S Corporation Elections

Businesses that are eligible to elect S corporation tax treatment now have a simpler process for requesting relief for late elections, thanks to an IRS Taxpayer Burden Reduction initiative.

Revenue Procedure 2007-62, announced in IRS news release IR-2007-166, outlines the new provision that permits small businesses that missed filing Form 2553, *Election by a Small Business Corporation*, before filing their first Form 1120S., *U.S. Income Tax Return for an S Corporation*, to file both forms simultaneously. The change is

effective for taxable years that end on or after Dec. 31, 2007.

The requirement for filing Form 2553 to establish the election in advance of filing the initial Form 1120S remains in effect. However, the new process will save time and effort for those taxpayers who can establish reasonable cause for making a late election.

Form 2553 will be updated to reflect Rev. Proc. 2007-62, so taxpayers filing paper Forms 2553, should download the most recent revision from IRS.gov. Form 2553 can also be submitted electronically as an attachment to an e-filed Form 1120S.

To learn about IRS announcements and other IRS products and services, subscribe to IRS's e-News for Small Businesses. To see a representative sample and to start your free subscription to e-News, just go to IRS.gov at www.irs.gov/businesses/small/content/0,,id=154826,00.html, type in your e-mail address and submit.

Editor's Notes

LENDER YEAR-END TOTALS

We will not be adding the Lender Year-End totals to the Newsletter. If you wish to have a copy of the Lenders Year-End Totals, please contact Cindy Merrigan at (608) 441-5560 or email her @ cindy.merrigan@sba.gov. alternatively, you can see the year-end totals at Fiscal Year 2007 Loans can be found at www.sba.gov/idc/groups/public/documents/wi_milwaukee/fy07ytd_lender_appr.pdf

TRAINING CALENDAR

Be sure to visit <http://web.sba.gov/calendar/public/index.cfm?op=group&grp=73> for business-training opportunities offered by SBA, SCORE, Small Business Development Centers, Women Business Centers, Procurement Assistance Centers and the Wisconsin Procurement Institute.

This site will become your first stop when looking for training sessions,

conferences and seminars at the federal level but will also include state, local, and private activities when they pertain to small business improvement.

SBA September 2007 Loans

September Loans can be found at: www.sba.gov/idc/groups/public/documents/adacct/sept07approvals.pdf

SBA September 2007 Micro-Loans

Advocap - 2 Loans for \$12,500

Impact Seven – 3 Loans for \$35,000

Lincoln Neighborhood Redevelopment Corp.
2 Loans for \$55,000

Wisconsin Women's Business Initiative Corporation
1 Loan for \$10,000

SBA FY 2007 Micro-Loans

Wisconsin Women's Business Initiative Corporation

31 Loans for \$388,899

Lincoln Neighborhood Redevelopment Corp.

5 Loans for \$92,000

Advocap

5 Loans for \$54,000

Impact Seven, Inc.

4 Loans for \$42,000

Northeast Entrepreneur Fund, Inc.

3 Loans for \$20,110

2008 SMALL BUSINESS AWARD NOMINATION
Help us recognize outstanding leaders in the small business Community

For more information, please contact: [Mary Trimmier](mailto:Mary.Trimmier@sba.gov) at (414) 297-1093. Self-nominations accepted.



Construction Contractors Matchmaking Event

Join us for the construction event of the year for companies, *either large or small*, interested in growing their business through *prime and government* contract work.

Tuesday, October 30, 2007

Country Springs Hotel
2810 Golf Road
Waukesha, WI

The State of Wisconsin DOA, WisDOT, City of Milwaukee, City of Madison, Milwaukee County, Dane County, Milwaukee Metropolitan Sewerage District, U.S. Small Business Administration, Naval Facilities Engineering Command Midwest and the Wisconsin Procurement Institute have come together to help small and large businesses involved in all areas of construction. The event includes pre-arranged matchmaking sessions and invaluable information.

Keynote speaker Leroy Butler will talk about team building that will benefit every contractor of the construction industry from the 5 employee environmental firm to the 500 employee general contractor.

For more information, contact Jason Rathsack at the Wisconsin Procurement Institute at (414) 270-3607 or jasonr@wispro.org.