



**SBA Supporting and Encouraging Economic
 Development Through Entrepreneurship**
 April 2005

THE RECORD PACE CONTINUES

The demand for SBA loans in the Cleveland District Office maintained its frenetic pace through the first five months of fiscal year 2005. The number of SBA loans made so far this fiscal year is up an astonishing 200% from the same period in fiscal 2004. A ranking of our top five lending partners for the period ended February 28, 2005 is as follows:

Lender	Number of Loans
1) Charter One Bank	805
2) National City Bank	97
3-Tie) FirstMerit Bank	60
3-Tie) Sky Bank	60
4-Tie) Capital One FSB	55
4-Tie) US Bank	55
5) JP Morgan/Chase (Bank One)	38

Let's Get 504 Lending Going ...

504 activity is also running strong, but not at the same frenetic pace as the 7(a) program.

Given rising interest rates, now is the time to take advantage of 504! See the 504 Benefits Sheet found on page ___ of this newsletter.

The following lists 504 loan approval by CDC for the period ending February 28, 2005:

CDC	# of Approvals	Total Debt Amount
Cascade Capital Corp	8	\$2,764,000
Lake County SBAC	8	\$2,395,000
Growth Capital Corp	7	\$3,187,000
Lucas County Improvement Corp	3	\$350,000
Mahoning Valley EDC	3	\$808,000
Ohio Statewide Dev. Corp	1	\$354,000
Stark Development Board Fin. Corp	1	\$397,000
West Central Partnership	1	\$491,000

The top 504 participating lenders as of February 28, 2005 are as follows:

Lender	Number of 504 Loans
KeyBank	7
FirstMerit Bank	6
JP Morgan (Bank One)	4
Charter One Bank	3
National City Bank	3

Changes In Banking Affect Small Business Lending

Consolidation And Innovation Are Driving Changes

Substantial financial deregulation and financial innovation in recent years have changed banking. The resulting consolidation of banking and improvements in technology has had important effects on small business lending.

According to a study released today by the Office of Advocacy of the U.S. Small Business Administration (SBA), the way in which bank holding companies (BHCs) grow, through either outright merger or non-merged acquisition, has a direct affect on its small business lending practices.

The study's findings suggest:

- In general, larger BHCs tend to do less small business lending, as a percentage of total business loans.
- The organizational form of a BHC relates to small business lending. When BHCs acquire other banks -- but do not merge them -- small business lending is little affected. In contrast, if bank portfolios are merged and integrated into larger banks, their small business lending declines.

“Financial innovation and deregulation are changing the services banks offer to their small business customers,” said Thomas M. Sullivan, Chief Counsel for Advocacy. “Many of the changes have been positive and have opened up capital markets to more firms. Others are changing the relationship between what were once local banks and their customers. This study

reports on one aspect of those changes and provides sound insight into the evolution of small business lending by banks.”

KeyPoint Consulting LLC wrote the report, *The Effects of Mergers and Acquisitions on Small Business Lending by Large Banks*, with funding from the Office of Advocacy. It focuses on non-credit card lending at the 50 largest BHCs, which represent an ever-larger share of U.S. banking assets. The authors used annual data from 1997 to 2002, which includes both the 2001 recession and the beginning of the recovery in 2002.

The Office of Advocacy, the “small business watchdog” of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues. For a copy of the report and Research Summary, visit www.sba.gov/advo

SBA 504 Loans: Great Bottom Line Benefits when in need of fixed asset financing

- ♦ **Low downpayment – typically 10% of the project costs**
 - The borrower covers 10% of the cost to construct or acquire a fixed asset (commercial real estate or a large piece of capital equipment)

- A commercial lender finances 50% of the project
- The SBA 504 program covers the remaining 40% of the project financing

◆ **Long-term, fixed interest rate financing**

- The term of the SBA 504 loan is either 20 years (real estate) or 10 years (equipment)
- The SBA 504 loan fully amortizes over the stated term
- The commercial lender must commit to either a 10-year term (real estate) or a 7-year term (equipment) on its 50% of the project financing
- The interest rate on the SBA 504 loan is fixed for life at the time of the sale of the 504 debenture
- **The most recent interest rate on a 20-year SBA 504 loan was 5.92%**

◆ **With the SBA 504 loan typically in second collateral position, a bank's risk is significantly mitigated**

- Making it easier for your customer to access capital

◆ **Fees and eligible expenses can be financed**

- Fees total approximately three (3) percent of the debenture and may be financed with the loan

◆ **SBA's 504 Program can now finance large fixed asset projects**

- Participation of up to \$1,500,000 on regular projects
- Participation of up to \$2,000,000 on projects meeting a public policy goal
- Participation of up to \$4,000,000 on manufacturing projects

SAVE THE DATE ... AND SPREAD THE WORD

SCORE is sponsoring an upcoming seminar entitled "When Big Box Stores Come to Town: Competing with Big Box Stores", which will be held on June 9, 2005, from 9 a.m. to 12 p.m. The seminar will be held at 1350 Euclid Avenue in downtown Cleveland. Please help spread the word about this very timely seminar to your customers. The cost is just \$89.00. Please call SCORE at (216) 522-4194 if you have questions or would like to register. More information can also be found on SCORE's homepage, <http://www.scorecleveland.org/>

MATCHING UP WITH UNCLE SAM

Entrepreneurs make their own success by aggressively pursuing opportunities presented to them. Joe Lopez knows all about opportunities and how to make them happen. That's what makes him an entrepreneurial success story.

Following years spent as a general construction laborer working for others, Joe pursued his dream of being his own boss. His entrepreneurial career began modestly with the acquisition, rehab and resale of several Cleveland area residential properties, but Joe has taken those humble beginnings and grown his New Era Builders, Inc. into a commercial construction firm that now generates in excess of \$18 million in annual revenues! Part of that growth is due to work that Joe's company does for the federal government.

Always seeking opportunities for new business, Joe learned from SBA's Cleveland District Office about an upcoming Business Matchmaking Event. Sponsored by the U.S. Chamber of Commerce and U.S. Small Business Administration (SBA), the event held at Cleveland Browns Stadium on October 9 and 10, 2002, marked the first of 15 such meetings held throughout the country in 2002 and 2003. As part of the registration for these events, small business owners and buying agents completed online profiles of what they do or what products or services they were looking to purchase, and the system then "matched" them together. The matched businesses and buyers then got together at pre-scheduled, one-on-one meetings over the two day event to discuss potential business opportunities.

New Era Builders' services matched the needs of several potential buyers that attended the event. Joe enthusiastically attended the conference and came away with a \$300,000 order from the U.S. Navy for security upgrades to the Marine Corps Reserve Center in Brookpark, Ohio. This represented the first contract awarded as a result of the matchmaking event. New Era successfully completed the contract, and the Navy was very pleased with New Era's workmanship on the job.

New Era Builders Inc. is an SBA certified 8(a) company. The 8(a) Business Development program supports minority-owned government contractors through a wide range of services. Through this program, New Era Builders has received contract awards from the U.S. Coast Guard, General Services Administration (GSA), the Veterans Administration (VA), and NASA.

In part due to its government contracting work, New Era Builders Inc. has seen its revenues grow roughly 750% over the past five years! Presently his federal contracts contribute approximately 15% toward his total revenues. Joe Lopez strives to make his New Era Builders into the largest Hispanic-owned general contracting firm in Northeast Ohio, and, based on his success to date, it is apparent that he is well on his way to making that goal a reality.

Despite his success, Joe remains humble and dedicated to giving back to his community. He readily volunteers his time to a myriad of community organizations, including The Cleveland Regional Minority Purchasing Council, the Hispanic Business Association, the U.S. Hispanic Chamber of Commerce, Esperanza, and Leadership Cleveland. Joe remembers his roots and volunteers much of his time helping others pursue their own entrepreneurial opportunities!