

# Small Business Lending Forum for Community Banks, Thrifts, and Credit Unions

Federal Reserve Bank of Boston  
Friday, February 25, 2011



Robert Nelson, District Director,  
Massachusetts, Small Business  
Administration

“The purpose of the SBA is to foster,  
preserve and promote the efforts of  
small business.”

## Thank you to the Boston FED!

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- SBA overview - 101
- Where we have been
- New tools to keep capital flowing

Lender training to get you started and keep you going!



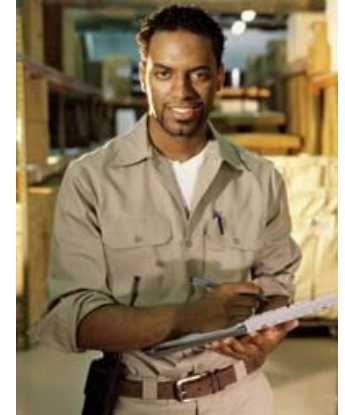
Programs and services to help you start, grow and succeed

## U.S. Small Business Administration

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# The SBA Advantage



[www.sba.gov/ma](http://www.sba.gov/ma)



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## SBA History:

- Agency of the Federal Government.
- Created by Congress in 1953 to provide financial, technical, and management assistance to small businesses.

## Our Mission:

Maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses and by helping families and businesses recover from national disasters.

## **The SBA Advantage:**

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Millions of entrepreneurs use SBA resources and programs to:

- Start or grow a business – help for businesses in all stages.
- Effectively compete in the marketplace

*Have you explored your Small Business Advantage?*

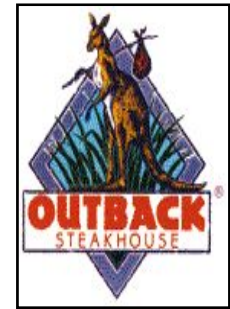
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# Companies That Got Started With SBA Assistance

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YANKEE CANDLE



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# The SBA Advantage: [www.sba.gov/ma](http://www.sba.gov/ma)

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## SBA's toolbox includes:

- Counseling - Business Education & Training
- Financial Assistance - Access to Capital
- Federal Contracting
- Advocacy
- Disaster assistance



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# Technical Assistance

## 31,844 Small Business Clients Counseled and Trained by:

|                                    |               |
|------------------------------------|---------------|
| Small Business Development Centers | 9,190         |
| SCORE Chapters                     | 8,614         |
| Center for Women & Enterprise      | 2,802         |
| SBA Massachusetts District Office  | <u>11,238</u> |
| Total Clients served               | 31,844        |



# Training and Business Counseling

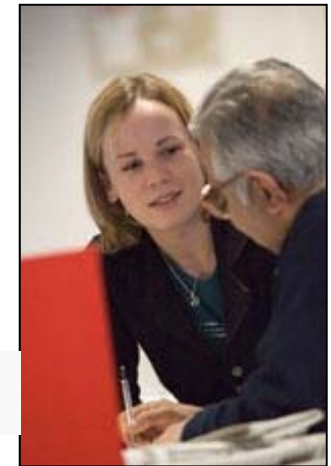


## SCORE:

SCORE volunteers are statewide in 6 chapters  
Outreach locations across the state plus a nationwide  
network of professionals with direct industry experience.

### Experienced Volunteers Offering:

- Expert business counseling
- Marketing advice
- Business plan preparation
- Loan application assistance\*
- Online or in person counseling
- FREE AND CONFIDENTIAL



**Counselor's to America's Small Business**

[www.score.org](http://www.score.org)

## Contact SCORE

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**Boston** ..... 617-565-5591

[www.scoreboston.org](http://www.scoreboston.org)

**Cape Cod** ..... 508-775-4884

[www.scorecapecod.com](http://www.scorecapecod.com)

**Northeastern MA** ... 978-927-2282

[www.scorenemass.org](http://www.scorenemass.org)

**Southeastern MA** .. 508-587-2673

[www.scoresema.org](http://www.scoresema.org)

**Western MA**..... 413-785-0314

[www.scorewesternmass.org](http://www.scorewesternmass.org)

**Worcester** ..... 508-753-2929

[www.scoreworcester.org](http://www.scoreworcester.org)



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# MSBDC – Massachusetts Small Business Development Centers

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## Business Advisors:

- Free and Confidential
- Loan application assistance
- Business plan assistance – management and technical assistance
- Combine resources of SBA, local government, private sector and academia
- Here in MA – 6 regional centers plus MA Export Center and Procurement Technical Assistance Center – PTAC.
- Typically located at colleges and universities – here in MA affiliated with Umass Amherst and Boston, Salem State and Clark University



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## **MSBDC Locations**

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|  |                      |                           |
|--|----------------------|---------------------------|
| <b>Boston</b>                                |                      | <b>617-287-7750</b>       |
| <b>Berkshire MA</b>                          | <b>(Pittsfield)</b>  | <b>413-499-0933</b>       |
| <b>Central MA</b>                            | <b>(Worcester)</b>   | <b>508-793-7615</b>       |
| <b>No. Eastern MA</b>                        | <b>(Salem)</b>       | <b>978-542-6343</b>       |
| <b>Southeastern MA</b>                       | <b>(Fall River)</b>  | <b>508-673-9783</b>       |
| <b>Western MA</b>                            | <b>(Springfield)</b> | <b>413-737-6712</b>       |
| <b>Amherst State Office</b>                  |                      | <b>413-545-6302</b>       |
| <b>Procurement Technical Assistance Ctr.</b> |                      | <b>413-737-6712 x 105</b> |

**Mass. Export Center  
State Transportation Bldg.  
10 Park Plaza, Ste 4510  
Boston, MA  
617-973-8664**

**[www.msbdc.org](http://www.msbdc.org)**



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# The Center for Women & Enterprise

- Provide training, counseling, mentoring
- Tailor programs to local community needs; includes assistance to economically and socially disadvantaged women
- Center for Women & Enterprise
  - Boston: ..... (617) 536-0700
  - Worcester: ..... (508) 363-2300



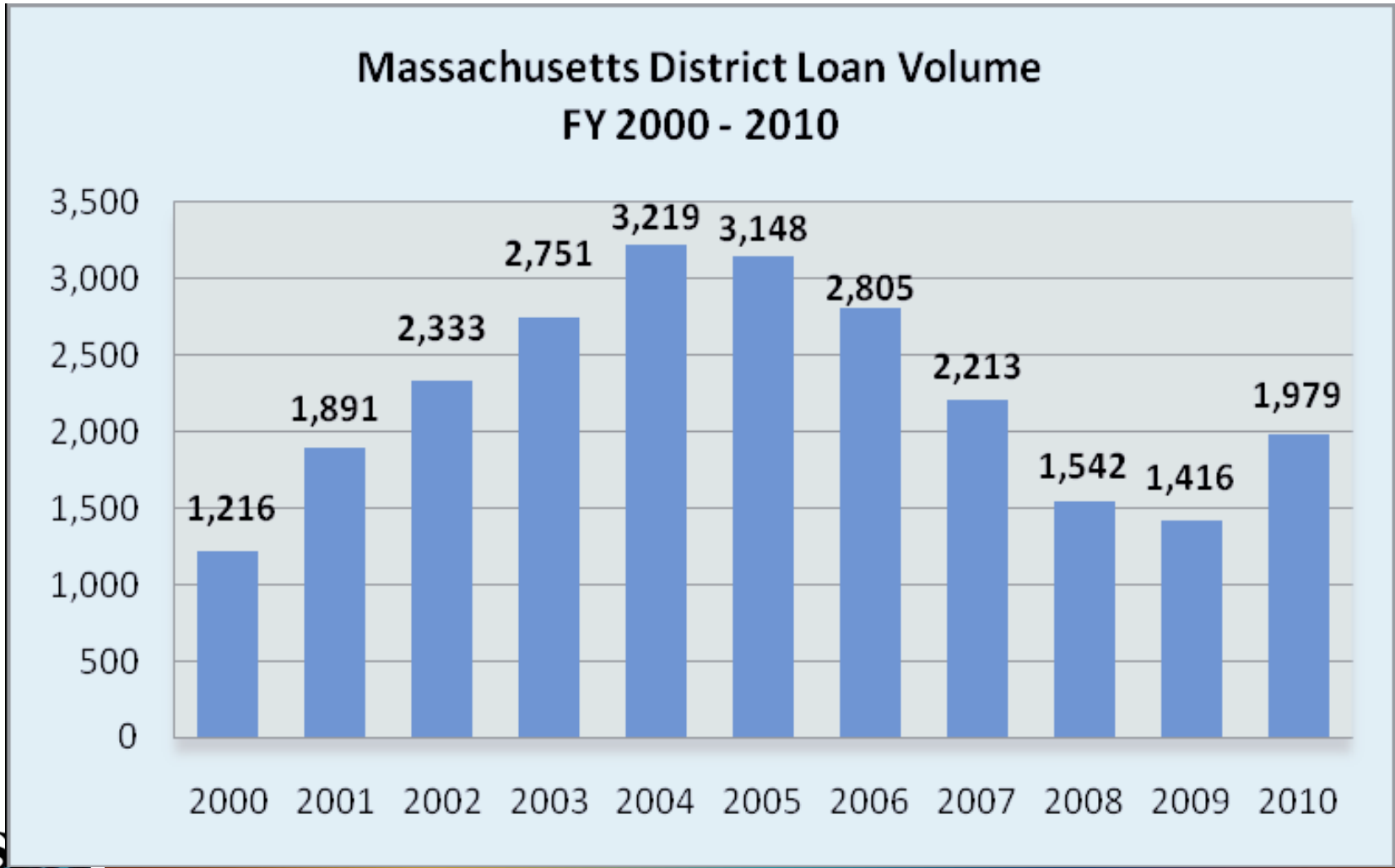
[www.cweonline.org](http://www.cweonline.org)



## In Fiscal Year 2010, the SBA:

- Guaranteed 60,771 loans!
- Guaranteed \$17.1 Billion in loans!
- In Massachusetts
  - 1,979 loans for \$356 Million
    - 244 - 504s - \$116 Million
    - 134 - ARC loans - \$4.4 Million
  - In participation with 144 lenders

# Loan #'s by FY





# SBA Express Program

- 66% of SBA guaranteed loans in Massachusetts are being made under Express
- Uses lender's forms, processes & procedures – not the SBA's, expediting loan approval and process
- Term Loans or revolving lines of credit up to \$1,000,000. (thru 9/27/11) – then back to \$350,000.
- SBA guaranty of 50%
- With elimination of fee relief, this is the least expensive program for your borrower as fee is paid on SBA share



- **Export Express Pilot Becomes Permanent**
- The law turns the Export Express pilot loan program into a permanent program with 90% guarantees for loans up to \$350,000 and 75% for loans between \$350,000 and \$500,000.
- Provides \$90 million in grants over three years beginning in mid-2011 for states to help small business owners start or grow their exporting efforts.
- Makes counseling and technical assistance more accessible by increasing the SBA's staff and other resources available to small business.

**Tremendous success of ARRA and Jobs Act provisions – 90% guaranty and fee elimination!!!!**

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- Loan approval volume hit unprecedented levels in early December
- During the week of December 12th, SBA approved almost \$1.5 billion in Small Business Jobs Act loans – the highest weekly volume since the agency began tracking weekly loan data
- More loans in a single week than in an average month under ARRA
- We are now caught up from the substantial backlog of 7a applications – backlog had been 1000 loans and 30 days +/- . 504 is also caught up. Approx 6 day turnaround from a complete app.
- Jobs Act supported more than \$12 billion in SBA lending in 3 months.



Programs and services to help you start, grow and succeed **MA 1<sup>st</sup> Q comparisons**

| Massachusetts - 7a              | Number of Loans | % Change | \$ Loans | % Change |
|---------------------------------|-----------------|----------|----------|----------|
| 1 <sup>st</sup> Quarter FY 2008 | 378             | -29%     | 49,313   | -12%     |
| 1 <sup>st</sup> Quarter FY 2009 | 217             | -43%     | 34,308   | -30%     |
| 1 <sup>st</sup> Quarter FY 2010 | 409             | 88%      | 61,476   | 79%      |
| 1 <sup>st</sup> Quarter FY 2011 | 590             | 44%      | 126,081  | 105%     |

| Massachusetts - 504             | Number of Loans | % Change | \$ Loans | % Change |
|---------------------------------|-----------------|----------|----------|----------|
| 1 <sup>st</sup> Quarter FY 2008 | 46              | 2%       | 22,375   | -1%      |
| 1 <sup>st</sup> Quarter FY 2009 | 47              | 2%       | 22,288   | 0%       |
| 1 <sup>st</sup> Quarter FY 2010 | 69              | 47%      | 36,784   | 65%      |
| 1 <sup>st</sup> Quarter 2011    | 79              | 14%      | 40,695   | 11%      |

| Massachusetts - ALL             | Number of Loans | % Change | \$ Loans | % Change |
|---------------------------------|-----------------|----------|----------|----------|
| 1 <sup>st</sup> Quarter FY 2008 | 424             | -26%     | 71,688   | -10%     |
| 1 <sup>st</sup> Quarter FY 2009 | 264             | -37%     | 59,596   | -17%     |
| 1 <sup>st</sup> Quarter FY 2010 | 441             | 67%      | 96,075   | 61%      |
| 1 <sup>st</sup> Quarter FY 2011 | 669             | 52%      | 166,776  | 74%      |



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# What do the trends look like without the 90% and fee elimination?

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- Loan activity without fee enhancements

|                        | <u>7a's</u> | <u>504's</u> |                     |
|------------------------|-------------|--------------|---------------------|
| • 1 <sup>st</sup> week | – 8         | 1            |                     |
| • 2 <sup>nd</sup> week | – 16        | 7            |                     |
| • 3 <sup>rd</sup> week | – 15        | 3            |                     |
| • 4 <sup>th</sup> week | – 20        | 3            |                     |
| • 5 <sup>th</sup> week | – 27        | 5            |                     |
| • 6 <sup>th</sup> week | - 22        | 3            |                     |
| • 7 <sup>th</sup> week | - 18        | 6            | Week ending 2/19/11 |

December loan activity in MA saw 50, 73, 69, 84 and 47 loan approvals. Everyone will be looking to see where the trend line goes....



# New initiatives and programs

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Several new initiatives in the works, some with expedited processing and higher guarantees than regular Express

- Dealer Floor Plan Pilot – re launched 2/9/11
- 504 Refinances – begins 2/28/11
- Small Loan Advantage – begins 2/15/11
- Community Advantage – begins 3/15/11
- Higher loan limits - \$5 million or \$5.5 million for manufacturers
- Higher express loan limits – 1 year to 9/2011 (\$ 1 million)
- Loans for exporters

Plus the things we recently received w/the jobs act; increased loan limits etc.



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# Underserved Markets initiatives

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## Loans to minority entrepreneurs lagging in MA and in US

### Massachusetts

|                  | 2007 | 2008 | 2009 | 2010 | 2011 TYD |
|------------------|------|------|------|------|----------|
| % of total by #  | 14%  | 21%  | 15%  | 10%  | 8%       |
| % of total by \$ | 18%  | 20%  | 13%  | 11%  | 11%      |



## Loan to start-ups (2 yrs old or less)

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|            | % start ups by # | % start ups by \$ |
|------------|------------------|-------------------|
| • 2011 YTD | 29%              | 23%               |
| • 2010     | 19%              | 22%               |
| • 2009     | 25%              | 24%               |
| • 2008     | 26%              | 30%               |
| • 2007     | 29%              | 32%               |

- Returning to normalcy by #'s ; \$'s still lagging

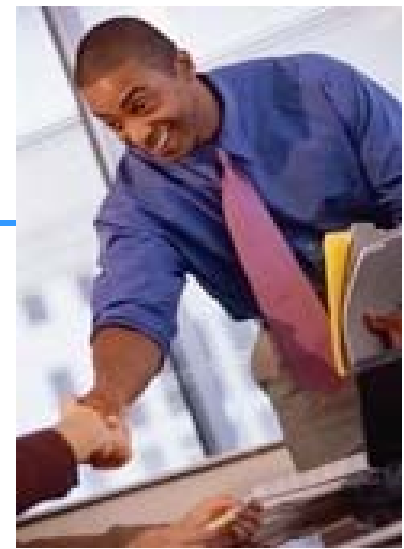


# International Trade Loans – Massachusetts

(in thousands \$)

|             | 2011          | 2010           | 2009           | 2008           | 2007           | 2006           |
|-------------|---------------|----------------|----------------|----------------|----------------|----------------|
| MA District | \$5,710<br>16 | \$14,948<br>44 | \$17,902<br>59 | \$28,784<br>62 | \$25,185<br>80 | \$22,030<br>92 |
| Springfield | \$ 500<br>1   | \$488<br>7     | \$ 3,857<br>15 | \$ 1,214<br>6  | \$ 930<br>8    | \$1,210<br>6   |





## Financing – What does SBA look for?

- Owners and operators w/ good credit & character
- Feasible business plan
- Management expertise and commitment necessary for success
- Sufficient funds, including SBA guaranteed loan, to operate the business on a sound financial basis
- Adequate equity investment in the business
- Sufficient collateral, however, SBA is a cash flow lender and not a collateral lender.
- Ability to repay the loan on time from the projected operating cash flow.

## 7a Guaranteed Loan

Made by private lenders, with SBA guarantee – SBA helps the bank get to the YES decision with credit enhancement.

- Maximum loan size \$5 million
- 85% guaranty on loans below \$150,000.
- 75% guaranty on loans above \$150,000.

# 7a Guarantee Loan Fees

SBA guarantee fee for loans with maturities in excess of one year (fee based upon SBA guaranteed exposure)

| <u>Maturity</u>  | <u>SBA Loan Size</u>    | <u>Guaranty Fee *</u> |
|------------------|-------------------------|-----------------------|
| One year or less |                         | 0.25%                 |
| Over one year    | \$150,000 or less       | 2.00% **              |
| Over one year    | \$150,001 to \$700,000. | 3.00%                 |
| Over one year    | More than \$700,000.    | 3.50%                 |

\* Fees can be rolled into loan request \*\*1.5% to SBA lender retains rest  
Additional 25 basis points fee on SBA portion greater than \$1,000,000.  
Subject to change – check with local SBA office



Over the year the SBA in MA closed loans for Dorchester Bay EDC ; EDIC of Lynn; Jobs for Fall River; New Bedford ED; SEED; WMEF; and our newest microlender RCAP Solutions.

36 microloans done in MA in 2010 by 6 microlenders for \$859,200.

If you can not do a deal, please make a referral to one of our active micro lender intermediaries.

- **The Micro Loan Program**
  - **Direct loans up to \$50,000**
  - **Proceeds for all business purposes**
  - **Attractive rates – 6 year amortization**



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# SBA Micro-Lenders

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## **Dorchester Bay Economic Dev. Corp.**

594 Columbia Road, Suite 302  
Dorchester, MA 02125  
(617) 825-4200

**Service area: Lower Roxbury  
and Dorchester**

## **Economic Dev. Industrial Corp. of Lynn**

Lynn City Hall, 3 City Hall Square,  
Room 401  
Lynn, MA 01901  
(781) 581-9399

**Service Area: City of Lynn**

## **Greater Springfield Entrepreneurial Fund**

1441 Main Street  
Springfield, MA 01103  
(413) 755-1318

**Service Area: Greater Springfield, Hampden  
County**

## **Jobs for Fall River, Inc.**

One Government Center  
Fall River, MA 02722  
(508) 324-2620

[www.froed.org](http://www.froed.org)

**Service Area: City of Fall River**



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## SBA Micro-Lenders

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### **New Bedford Economic Development**

700 Pleasant Street, 4th floor  
New Bedford, MA 02740  
(508) 991-3122

[www.nbedc.org](http://www.nbedc.org)

**Service Area: City of New  
Bedford**

### **RCAP Solutions Financial SVC, Inc.**

205 School St.  
Gardner, MA 01440  
978-630-6635

**Service Area: Worcester County**

### **South Eastern Economic Development Corporation/SEED**

80 Dean Street  
Taunton, MA 02780  
(508) 822-1020

[www.seedcorp.com](http://www.seedcorp.com)

**Service Area: SE Massachusetts - Norfolk,  
Bristol, Plymouth, Barnstable, Dukes,  
Nantucket counties**

### **Western Massachusetts Enterprise Fund**

308 Main Street, Suite 2B/P.O. Box 1077  
Greenfield, MA 01302  
(413) 774-4033

**Service Area: Berkshire, Franklin,  
Hampshire, Hampden Counties and  
parts of Worcester County.**



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## 504 in a Nutshell

- The borrower obtains up to 90% financing and a low fixed rate on the CDC/SBA portion.
- The bank ends up with a conventional loan in first mortgage position with a 50% loan-to-value ratio.
- A Certified Development Company (CDC) takes care of all of the SBA paperwork.
- Owner occupancy = 51% for existing building; 60% for new construction (with plan to occupy additional 20%).
- Real estate acquisitions and project expansions and now straight refi's allowed (with certain limitations)
- Great for capital assets such as equipment financing.



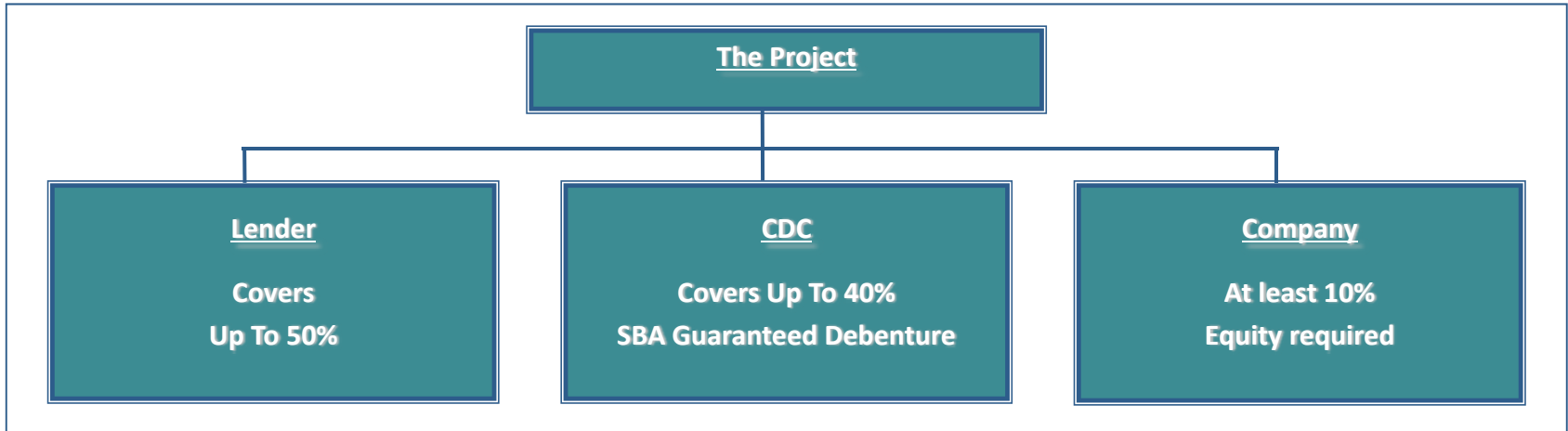


# 504 refi's

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- Approved under the Jobs Act – 9/27/10 (2 years to make these loans) – intended to help prevent foreclosures and to increase bank liquidity.
- \$15 billion in lending authority to do these
- Eligibility
  - Initially loans maturing through 12/31/12
  - At least 85% of original use of proceeds must be 504 eligible
  - 90% LTV max
  - Same institution debt refi is allowed
  - Current on existing debt for past 12 months

# 504 Certified Development Company Program



- Long-term financing for major fixed assets
- Up to \$5.5 million in SBA-backed debentures
- Must apply through SBA approved certified development company
- Below market pricing with minimum cash injection

- Structured to encourage larger, existing SBA lenders to make lower-dollar loans, which often benefit businesses in underserved markets.
- Maximum Loan Size: \$250,000
- Guarantee: 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.
- Approval Times: Small Loan Advantage loans submitted electronically through e-Tran will be approved within minutes. Other applications will be approved within one business day.
- Paperwork: Small Loan Advantage features streamlined paperwork, with a two-page application for borrowers.
- Lender Requirements: Small Loan Advantage is open to banks participating in **SBA's Preferred Lender Program (PLP)**.
- Time Frame: Small Loan Advantage Program was implemented on 2/15/11.



# Community Advantage

Community Advantage pilot initiative aimed at increasing the number of SBA 7(a) lenders who reach underserved communities, targeting mission-focused financial institutions which were previously not able to offer SBA loans.

- Maximum Loan Size: \$250,000
- Guarantee: 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.
- Approval Times: Most Community Advantage loans will be approved within 5 - 10 days.
- Paperwork: Community Advantage features streamlined paperwork, with a two page application for borrowers.
- Lender Requirements: **Open to mission-focused lenders**, including some Community Development Financial Institutions, non-profit Certified Development Companies and SBA-approved micro-lending intermediaries. **Community Advantage lenders will be expected to maintain at least 60 percent of their SBA loan portfolio in underserved markets.**
- Time Frame: 3 year pilot. SBA will begin taking applications from mission-focused lenders interested in Community Advantage on or before Feb. 15, 2011, with loan applications accepted on or before March 15, 2011.



# Suggestions and 2011 goals

- Continue to explore refinancing and restructures with the help of the SBA
- Help us to reach middle market; asset based and commercial real estate lenders in your bank....they may not realize SBA now has larger loan limits
- Help with business start ups and loans to minority entrepreneurs
- Continued assistance to business turnarounds; same institution debt can be considered for potential refinance with an SBA guaranty
- Substantial focus on lender training - many new tools in the tool box and lenders will need help from SBA to utilize
- Continued recruitment of new lenders and credit unions and work to elevate existing lenders to PLP and to make sure all lenders have Express and Patriot Express status.



# Upcoming events

- Start up America event – Event will take place in Boston prior to end of May. Emphasis to be on high growth, high tech, high impact businesses - and will a co-branded event with the White House. Event will include presentations from SBA Office of Investment and also a regulatory roadshow.
- Small Business Jobs Act listening tour – April 1, 2011 at SBA office – lender roundtable discussions, forums for small businesses on exporting programs and sessions for informal public comment on contracting provisions of SBJA.





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## About SBA

What We Do

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Our Offices

> Local Offices

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- Events
- Resources
- Success Stories

- Regional Offices
- Disaster Field Offices
- Headquarters Offices

Our History

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## Boston District Office

### Serving the State of Massachusetts

#### Financing

SBA offers information on small business loans, grants, bonds and other financial assistance. Find out which method of financing is right for you!

[Learn More about Small Business Loans, Grants, Bonds & Other Financial Assistance](#)

While SBA does not make loans directly, you can find a local lender who can help you with your loan application. You may also speak directly with a local SBA representative by calling 617-565-5590.

#### Events & Workshops

Explore highlighted events in your area.

| January |    |    |    |    |    |    |
|---------|----|----|----|----|----|----|
| Su      | M  | Tu | W  | Th | F  | Sa |
|         |    |    |    |    |    | 1  |
| 2       | 3  | 4  | 5  | 6  | 7  | 8  |
| 9       | 10 | 11 | 12 | 13 | 14 | 15 |
| 16      | 17 | 18 | 19 | 20 | 21 | 22 |
| 23      | 24 | 25 | 26 | 27 | 28 | 29 |
| 30      | 31 |    |    |    |    |    |

[View Full Calendar](#)

#### Training

- ▶ [Where Will Your Next Customer Come From?](#)
- ▶ [Strategies for Growth - Welcome and Introduction](#)
- ▶ [SBA/Dell Strategies For Growth Preview](#)
- ▶ [SBA Delivering Success: Top 10 Business Tips](#)

#### Resources

##### For Small Business Owners

- [Business Structure and Tax Implications](#)
- [Express Programs](#)
- [Explore Exporting](#)
- [Export Loan Programs](#)

##### Resources in Your Area

- [SBA & ADP present "America's Best: Their Stories, Their Ways"](#)
- [Massachusetts State Government](#)
- [Massachusetts Resource Information Packet](#)
- [View Massachusetts Resource Guide Online](#)

#### What's New

- ▶ [Massachusetts FY2011 Loan Volume Report](#)
- ▶ [Massachusetts Lender List](#)
- ▶ [It's Your Business - September 2010](#)
- ▶ [Five Critical Steps to Securing Small Business Capital](#)

#### SBADirect

The answers you need start here.

My Interests:

- Leading Your Company
- Growing Your Business
- Running a Business
- Eligibility Size Standards

Your Business ZIP Code

Go

#### Connect With Us

**Boston District Office**  
10 Causeway Street Room 265  
Boston, MA 02222  
United States

Phone: 617-565-5590

See map: [Google Maps](#)

**Springfield Branch Office**  
One Federal Street Building  
101-R  
Springfield, MA 01105  
United States

Phone: 413-785-0484

See map: [Google Maps](#)

# Small Business Lending Forum

February 25, 2011

10:30-11:30

Federal Reserve Bank of Boston

