



June 2006

U.S. Small Business Administration
Cleveland District Office

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June 2006 Newsletter
In this issue:

Loan Report Page 1

**The President's Faith-Based and
Community Initiative in East Cleveland** Page 2

**SBA Cleveland District Office Honors
Four for Small Business Contributions** Page 3

Special News for SBA Lenders Page 4

**Toledo E-Training Event to be Held
in July** Page 5

SBA Disaster Assistance Update Page 5

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.
- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- 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 May 31, 2006



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

Bank	Number of Loans	Dollars (In Thousands)
Charter One Bank	484	\$23,735
National City Bank	172	\$22,457
US Bank	131	\$6,506
FirstMerit Bank	110	\$18,758
JP Morgan Chase Bank	104	\$15,120

504 Loans

Bank	Number of 504s
KeyBank	15
FirstMerit Bank	12
National City Bank	12
Sky Bank	6
Huntington National Bank	5
JP Morgan Chase Bank	5

CDC	Number of Approvals	Dollars (In Thousands)
Growth Capital Corp.	26	\$8,833
Cascade Capital Corp.	14	\$5,569
Lake County SBAC	11	\$2,775
MVEDC	10	\$5,537
Stark Dev. Board Finance Corp.	8	\$1,940
Ohio Statewide Development Corp.	3	\$1,722
Community Capital Dev. Corp.	2	\$464
Horizon Certified Dev Co, Inc.	2	\$2,064
Lucas County Improvement Corp.	1	\$720
MEACO	1	\$350
Northwest Ohio Dev. Ass't. Corp.	1	\$258



Above: SBA Cleveland District Office District Director Gil Goldberg, City of East Cleveland Councilwoman Barbara Thomas, Mayor Eric Brewer of East Cleveland, and City of East Cleveland Council President Gary Norton, Jr.

The President's Faith-Based and Community Initiative...

In Action in East Cleveland!

The East Cleveland-SBA Small Business Growth & Expansion Initiative was successfully rolled out at a press conference that took place on Thursday June 1st in the city of East Cleveland, Ohio. The East Cleveland-SBA Small Business Initiative is a joint partnership of the Urban League of Greater Cleveland, the City of East Cleveland, the Gund Foundation, Cuyahoga County, the Hebrew Free Loan Association, Case Western Reserve University (CWRU's Weatherhead School of Management), local area banks and the U.S. Small Business Administration (SBA).

The goal of the Initiative is to encourage economic development, job creation and wealth generation in the City of East Cleveland. The Initiative couples the SBA's loan guaranty and training and counseling programs and a supplemental equity pool supplied by the City of East Cleveland, Cuyahoga County, and the Gund Foundation.

The entrepreneur must have at least 10% equity for their transaction and qualify for an SBA guaranteed loan. The supplemental equity pool provides an additional 15% equity (up to \$20,000) into the entrepreneur's project.



SBA District Director Goldberg and Mayor Brewer chat with Joseph Shattan, Director of SBA's Faith-Based and Community Initiatives. U.S. Congresswoman Stephanie Tubbs-Jones, who spoke at the event, is in the foreground.

This 15% supplemental equity takes the form of a performance grant (a subordinate loan that is forgiven over a three year period as long as the entrepreneur remains in business). Finally, the Hebrew Free Loan Association provides the entrepreneur with an interest free loan up to \$5,000 to fund the final part of the project.

In order to participate in the Initiative, entrepreneurs must successfully complete a business plan through the Multicultural Small Business Development Center located at the Urban League of Greater Cleveland.

The business plan is then to be implemented in conjunction with a mentoring/coaching arrangement with graduate students of CWRU's Weatherhead School.

The Initiative is designed to produce highly qualified entrepreneurs that can have a positive impact on the economy of East Cleveland.



Many members of the community and media turned out for the announcement.

“This partnership creates a unique and exciting opportunity for East Cleveland entrepreneurs to start and grow their businesses in this great city. The Initiative represents pure economic development at its finest by combining unique public/private incentives such as forgivable loans with traditional SBA financing. It is our hope that the Initiative will be a showcase of economic development that other cities will emulate,” said Gil Goldberg, District Director of SBA's Cleveland District Office.

Joseph Shattan, Director of SBA's Center for Faith-Based & Community Initiatives in Washington, participated in the press conference. ♦

SBA Honors Four for their Contributions to Small Business

Jerry and Victoria Stallard, President and Vice President, respectively, of GTS Communications of North Olmsted, Ohio, have been named **2006 Small Business Persons of the Year** by the Cleveland District Office of the U. S. Small Business Administration (SBA).

In announcing the award, the SBA District Director, Mr. Gilbert Goldberg stated, "Mr. & Mrs. Stallard are your classic entrepreneurial success story, teaming up in both marriage and business to establish a very successful and growing data, voice and fiber cabling company. It is with great pride that we offer our congratulations to the Stallards on this well-deserved honor."

Mr. Goldberg noted that nominees for this award are judged on seven criteria: staying power; growth in number of employees; increase in sales and/or unit volume; strong current and past financial reports; innovativeness of product or service offered; response to adversity; and contributions by nominee to aid community-oriented projects.

SBA honored several small business advocates with SBA Champion Awards. Awardees are individuals that have used their professional expertise or personal talents to further the understanding and awareness of small business. These individuals have taken an active role in creating opportunities for small business. This year's Champion awardees are:

- SBA Cleveland District **Veteran Small Business Champion of the Year: Evelyn C. France**, Director of Community Reinvestment for Lorain National Bank
- SBA Cleveland District **Small Business Financial Services Champion of the Year: Michael L. Cheravitch**, Senior Vice President and State Director of Business Banking for Charter One Bank
- SBA Cleveland District **Women in Business Champion of the Year: Brighid J. Consilio**, Vice President of Small Business Banking and Women's Business Advocate for National City Bank

"This year we are delighted to recognize these awardees significant contributions to the small business community of Northern Ohio", Mr. Goldberg added. "They exemplify small business at its best."

The President of the United States designates one week each year as National Small Business Week in recognition of the small business community's contribution to the American economy. This celebration honors the estimated 25 million small businesses in America that employ more than half the country's private work force, create 60 to 80 percent of net new jobs annually, and generate a majority of American innovations.

The local celebration of Small Business Week culminated on Wednesday, June 7th, with a recognition luncheon graciously hosted by SCORE's Cleveland Chapter, with the support of COSE. The luncheon was held at Acacia Country Club in Lyndhurst. ♦



Small Business Persons of the Year Jerry and Victoria Stallard of GTS Communications are congratulated by SBA Cleveland District Office District Director Gil Goldberg and SBA Region V Administrator Patrick Rea.



Women in Business Champion of the Year Brighid J. Consilio, Vice President of Small Business Banking and Women's Business Advocate for National City Bank, receives her award from District Director Goldberg.



Small Business Financial Services Champion of the Year Michael L. Cheravitch, Senior Vice President and State Director of Business Banking for Charter One Bank with District Director Goldberg.



Veteran Small Business Champion of the Year Evelyn C. France, Director of Community Reinvestment for Lorain National Bank

IMPORTANT News for Lenders Regarding SBA Express

SBA's Office of Inspector General (OIG) has issued an alert to lenders about fraudulent schemes that have been detected on a number of SBAExpress loans. This fraud alert is an attempt to make you aware of some of the patterns and indicators that OIG is seeing in its investigations in the hope of curtailing fraud associated with this program. While OIG has no evidence that these fraud cases constitute a large percentage of SBAExpress Loans, we ask that you maintain a high level of diligence to identify and prevent this type of fraudulent activity. Lenders that identify fraudulent activity should refer the matter to the OIG for investigation.

The Western Regional Office of the OIG Investigations Division is currently conducting various investigations involving the SBAExpress Loan Program. In one case, in response to a referral from a bank, the office is investigating a scheme being perpetrated by a loan packager involving 57 loans of smaller dollar value (generally under \$50,000) where the business applicants either did not exist or presented false business histories. Fortunately, the bank caught on to the fraud and not all of these loans were made. OIG has identified similar plots that are being perpetrated against other lenders. OIG is working with the banks to investigate these schemes and will seek criminal prosecution, where appropriate.

Some of the patterns and indicators OIG is seeing in these schemes include:

1. The fraud schemes are perpetrated by a loan packager or broker and borrowers who the packager/broker has recruited through newspaper ads or in person at local organizations.

2. A number of these loans involved a packager/broker who recruits borrowers of the same ethnic group, who are often recent immigrants.

3. Multiple loan applications that reflect the same handwriting and business address.

4. False statements made as to the length of time a business has been in existence, the number of employees, sales figures, business address, and other information. In many cases, the businesses do not even exist.

5. Loan applications submitted to different lenders for the same business. The borrower does not disclose that he/she has applied for loans elsewhere.

6. Borrowers using either false social security numbers or obtaining multiple loans through the same social security number.

To deter and prevent this fraud, if lenders are not already doing so, the OIG recommends that lenders take some or all of the following actions:

1. Monitor and track involvement of loan brokers and packagers in the loan application process. SBA Form 1919, SBAExpress and Community Express Information Form, requires SBAExpress applicants to disclose whether or not anyone assisted them in the preparation of their loan. It may also be helpful to ask the borrowers whether any loan agent or broker assisted with the loan application.

2. Take other steps to verify the existence, location and ownership of business borrowers through Dun and Bradstreet checks or other means, such as reviewing Secretary of State listings or conducting site visits. OIGs' investigations have shown, for example, that fictitious businesses have never made

required tax filings with the state department of revenue or boards of equalization, or filed other tax returns. Lenders are reminded of the IRS tax verification requirements found in the SBAExpress Program Guide.

3. Develop methods of ensuring that multiple loans are not being made to the same borrowers or businesses or to businesses located at the same address. In several cases, the same social security number has been used to obtain loans from the same lender to different borrowers.

4. Undertake greater efforts to make a positive identification of the borrower. In one case, the bank accepted a photocopy of the borrower's driver license, which had been altered. SBA Information Notice 5000-887, Lender Compliance with Treasury Requirements for Customer Identification Programs summarized lender obligations under Department of Treasury requirements for customer identification. Additionally, lenders should note that Section I of the Checklist, entitled Eligibility Information Required for SBAExpress submission, requires lender certification that the INS status of the applicant has been verified.

5. Question the borrower about any recent inquiries reflected on credit reports, because this may indicate that the borrower is attempting to obtain multiple loans. Also, question the borrower about the lack of a credit history as this may indicate that the borrower is using a fictitious name, business or social security number.

If you have any questions, please contact our Lender Relations' Division at (216) 522-4180♦

Toledo E-Technology Training Event to be Held in July

SBA resources (the EISC Manufacturing and Technology SBDC, The Toledo Regional Chamber SBDC and SCORE) are partnering to conduct an eVantage training event in the Toledo area. Participation will be limited to 10 companies (at \$500 each) and the goal will be to develop an Information Technology plan for the enterprise that will increase performance, growth and profitability using e-technology.

The program author and best trainer in the State will lead the group in four sessions interspersed with self-paced activity using state-of-the-art distance learning technology through Kent State University to complete the plan including 30 hours of custom SBDC counseling for each company. A course preview is planned for July with the group kick-off in August. Contact Lisa Washington at 410-535-6000 for details or registration via www.evantage-ohio.com.



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SBA Disaster Assistance Update

Agency Stands Ready to Respond as 2006 Hurricane Season Begins

As the 2006 hurricane season begins, the U.S. Small Business Administration stands ready to respond quickly and efficiently in the event of disaster. SBA currently has a strong disaster response operation in place, including a large roster of highly trained, experienced personnel, updated state-of-the-art equipment and enhanced logistics and coordination both internally and externally.

“As we have for over 50 years, the SBA stands prepared to help those who may be impacted by a disaster this year, especially as we enter what may be an active hurricane season,” said SBA Administrator Hector V. Barreto. “Following last year’s devastating hurricanes, the SBA mobilized like never before, approving more than \$9.7 billion to more than 149,000 businesses, homeowners and renters and we will be prepared to do so again.”

The agency’s disaster operation centers are fully staffed with trained and experienced disaster personnel, including loss verifiers, loan processors and attorneys. Additionally, a disaster reserve corps is being established. All equipment necessary to function in another large disaster is in place and the agency is prepared to acquire the necessary work space as needed.

The agency’s computerized disaster loan processing system known as the Disaster Credit Management System (DCMS) has been significantly upgraded and will be operational this month. By upgrading DCMS, the agency is better able to provide an expedited response to disasters, improve the quality and timeliness of disaster loan processing and reduce the cost of personnel, training, overtime and travel.

In an effort to enhance the closing and disbursement of disaster loans, the agency earlier this year issued a request for proposals for a contract with private sector companies to assist with these functions. Three companies have been selected to conduct the work.

SBA’s ability to work effectively with national, state and local organizations remains equally important as internal agency operations. To better prepare for the upcoming hurricane season, the SBA will continue to participate in a variety of planning and coordination exercises designed to strengthen and enhance disaster response tactics across the board.

“While we are doing our part to be prepared to respond to disasters, it is equally important for the public and businesses to be prepared in case disaster strikes,” said Barreto. “There are many resources readily available to guide the public through the steps to be well-prepared.”♦

To learn more about the SBA’s disaster assistance program and about disaster preparedness, visit www.sba.gov/disaster.