

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
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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 Launches Free Online Course & Assessment

The U.S. Small Business Administration recently introduced a new online training resource for budding entrepreneurs to provide the fundamentals of starting a small business. The *Small Business Primer Strategies for Success* online training is a free course designed to assist individuals who are thinking about starting a small business or who are in the early stages of running a business.

The *Small Business Primer* is a self-paced assessment tool that focuses on three key areas to help small business owners (1) determine their business readiness, (2) provide an overview of basic small business principles, and (3) introduce them to key SBA resources for small business counseling and training. The assessment tool is highly recommended and useful for those who have considered starting a business or thought about what it takes to be successful as an entrepreneur.

The *Small Business Primer* is available through SBA's Small Business Training Network, a virtual campus of business courses, trainings, education resources, learning tools and information assistance at www.sba.gov/services/training/index.html

It is a unique training that features an interactive assessment tool to help evaluate readiness for starting a business. It also walks participants through the key steps of business start-up.

The business topics reviewed include business planning, legal aspects, financing and marketing.

In addition, the course provides links to more than 40 targeted resources and small business tools, such as a business plan template, and an automated balance sheet guide. The course also offers direct access to online counseling through SCORE, as well as to other SBA resource partners including the Small Business Development Centers, Women's Business Centers, and SBA district offices.

Participants that complete the online training have an opportunity to receive a Course Completion Certificate from the SBA. To evaluate your business readiness, go to www.sba.gov and click on "New Free Online Course."

The SBA's Small Business Training Network offers a range of online business training and counseling tools to assist entrepreneurs with business start-up, from developing marketing strategies to effective employee management. It also provides valuable information for existing small business owners.

The training network is an easy-to-use tool that provides 24-hour access to business courses via the Internet.

2007 Small Business Breakfast
Awards - June 1st
Register Now @
[www.sba.gov/idc/groups/public/docu
ments/wi_milwaukee/07breakfast.pdf](http://www.sba.gov/idc/groups/public/documents/wi_milwaukee/07breakfast.pdf)

Milestone Birthday for One of SBA's Own



Lady Glo

Wisconsin's SBA District Office employee, Gloria Hloucal (or Lady Glo as we refer to her) will be turning 70 years young on May 17, 2007.

Glo has been an integral part of the SBA family for 27 years and is still going strong with no immediate plans to retire. Gloria's position title is Program Support Assistant but is much more than the name implies. Not only does she assist in all the program areas, she is a total whiz on SBA programs and knows more than most of us forgot. Gloria also acts as our historian remembering all the people from back when, can name all of them, and tell you little tidbits about them.

Before joining the SBA family, Gloria worked at NAPCO Graphic Arts until the spring of 1979 when the company did major downsizing. Shortly after that, in June of 1979, SBA was lucky enough to get Gloria as "one of our own." As Glo tells us, "working at the SBA is her second career."

It's a joy working with Glo who always has a good word for everyone and is always there for the SBA family bringing her experience and counsel to us all.

**MANY HAPPY RETURNS
LADY GLO!**

New Streamlined 504 Loan & Debenture Closing Procedures

The Office of General Counsel (OGC) is instituting new streamlined procedures for closing 504 loans and debentures effective August 1, 2007. OGC, working with a team of SBA field office attorneys, reviewed the entire closing process, as well as various closing checklists and documents used in SBA offices around the country, and then drafted new forms and modified existing forms and procedures to streamline and standardize the closing process nationwide.

The new procedures will:

*Increase consistency in debenture closing nationwide by creation of new standard closing forms, debenture closing policies and procedures, and SBA counsel review guidelines.

*Reduce to 12 the number of closing documents that Priority CDCs must submit for expedited closings.

*Reduce to 25 the number of closing documents that Non-Priority CDCs must submit for non-expedited closings, and standardize the closing submission.

*Reduce SBA overhead costs by transferring to CDCs responsibility for mailing to the Central Servicing Agent (CSA) closing packages approved by SBA Counsel for debenture sale, forwarding original collateral directly to the Centralized Loan Servicing Center, and Handling and tracking all documents received post-closing.

*This streamlining effort creates uniformity as to the documents required in a closing package for submission to SBA.

The new forms and procedures are described in more detail on Wisconsin's SBA website at:

www.sba.gov/idc/groups/public/documents/wi_milwaukee/streamlined504.pdf.

Through this notice, OGC also provides notification of amendments to SBA's Standard Operating Procedures (SOP) to implement these new procedures.

Disaster Preparedness for Business of All Sizes

The SBA encourages business owners to prepare for the possibility of a major disaster and offers the following tips:

- Start the disaster plan by identifying what your operation needs to do to protect itself in the face of a natural disaster. Even if you do not own the building where you do business, take steps to protect your assets.
- Determine what production machinery, computers and other essential equipment is needed to keep your business open. Store extra supplies offsite and make a plan for a temporary location if your company is forced to relocate after the disaster. Be ready for utility disruptions with a portable generator.
- Find escape routes from the business and establish meeting places. Make sure everyone understands the emergency plan before the storm hits. Designate a contact person to communicate with other employees, customers and vendors.
- Review your insurance coverage to make sure you understand what is not covered. Most policies do not cover flood damage.
- The National Flood Insurance Program provides coverage to property owners. Go to the NFIP Web site at www.floodsmart.gov.
- Consider business interruption insurance. It covers operating expenses, like utilities, and compensates you for the income lost after a temporary closure. Make back-up copies of all tax, accounting, payroll and production records and customer data on computer hard drives, and store the records at an

offsite location at least 100 miles away. Important documents should be saved in fireproof safe deposit boxes.

- To protect your property from wind damage, install impact-resistant windows and door systems or plywood shutters. Hire a professional to evaluate your roof to make sure it can weather a major storm.
- Develop a post-disaster communications strategy. Keep current phone numbers for your suppliers, employees, customers, utility companies, local media, and emergency agencies. Appoint a spokesperson to get the word out that your company is still open and on the road to recovery, to dispel rumors of business failure.
- More preparedness tips for businesses, homeowners and renters are available on the SBA's Web site at www.sba.gov/disaster_recov/prepared/getready.html. The Institute for Business and Home Safety (www.ibhs.org) also has information on protecting your home or business. The federal government's preparedness Web site www.ready.gov is another helpful resource.

Service-Disabled Veterans Matchmaking Event

On April 25th the SBA and the Department of Veterans Affairs (VA) conducted the second annual business matchmaking event for Service Disabled Veterans at the VA Auditorium in Milwaukee, WI. Seventeen service disabled veteran business owners had the opportunity to do a ten-minute presentation to buyers from federal agencies that included the Forest Service, GSA, EPA, HUD, Department of the Navy, and the Department of the Interior as well as the entire contracting division from the local VA Contracting Office. In addition, representatives from local governments, the City of Milwaukee, Milwaukee County, Wisconsin Department of Transportation and commercial entities Oshkosh Truck, and CH2MHill participated in the day-

long event to hear the presentations and to provide some one-to-one networking opportunities.

Mr. Wayne Simpson, the Deputy Director of the Office of Small and Disadvantaged Business Utilization of the Department of Veterans Affairs from Washington, D.C. provided a keynote address to small businesses and representatives from various buying activities covering the changes that the VA will implement in June 2007 that will affect not only service-disabled veteran business owners but also all small businesses.

Last year's event resulted in awards to Service-Disabled Veteran businesses totaling over \$9 million and contributed to the VA's VISN 12 (the VA contracting office located in Milwaukee, WI) receiving national recognition for reaching and exceeding their goal for SVOBs.

Small Banks Profit From Relationship Lending

Market valuations of smaller publicly held banks are higher than they would otherwise be due to their investment in relationship lending, according to a study issued by the Office of Advocacy of the U.S. Small Business Administration. The study examined the link between market valuation and small business lending for 817 publicly held bank organizations during the period 1994 through 2005.

"This study shows that for smaller banks it is worth the time and effort to invest in relationship lending," said Dr. Chad Moutray, Chief Economist for the Office of Advocacy. "The market values the added profit that comes from personally knowing small business customers and being able to offer them loans and services not obtainable from other banking organizations."

Many times small firms have little or no collateral and younger firms do not have a credit history on which to base

banking decisions. These firms may be excluded from "transactional" financing decisions that require credit scoring and other analysis of hard data used to evaluate the credit worthiness of the business and its owner.

On the other hand, "relationship" lending relies on the formation of bank-firm relations, and requires an investment by the bank in costly information acquisition and processing as well as the monitoring of firm activities. Such investments result in somewhat higher fees and interest rates for the small business customer to offset the cost of these banking activities.

Written by Dr. Joe Peek with funding from the Office of Advocacy, *The Value to Banks of Small Business Lending* concludes, "small business lending is a profitable market niche for small publicly traded banking organizations...The evidence is consistent with these banks having a comparative advantage in originating and monitoring small business loans compared to larger banking organizations."

The Dollars and Sense of Small Business Ownership

Whether you are starting a business or expanding one, sufficient capital is essential. While poor management is most often cited as the reason businesses fail, inadequate financing is a close second.

Startup Costs

Some businesses can be started on a shoestring budget. Others require considerable investment. It is important to know you will have enough money to launch your business.

A realistic startup budget should include those costs necessary to begin the business. Essential expenses are divided into fixed expenses (overhead) and variable expenses (related to producing sales). Fixed expenses include monthly rent, utilities,

administrative and insurance costs. Variable expenses include inventory, shipping and packaging, sales commissions and other costs of selling a product or service.

The most effective way to calculate your startup costs is to use a worksheet that lists all the various categories of costs (both one-time and ongoing) you will need to estimate prior to starting your business. To help calculate your costs, click on www.sba.gov/smallbusinessplanner/start/financestartup/SERV_SBPLANNE R_MANAGE_STARTUP_.html

Breakeven Analysis

To calculate your breakeven point—the point at which sales revenue will pay the ongoing expenses—go to www.sba.gov/smallbusinessplanner/start/financestartup/SERV_BREAKEY EN.html.

Financing Basics

To get your business growing, you may need financing. The two types of financing are equity and debt financing. When looking for money, consider your company’s debt-to-equity ratio—the relation between dollars you have borrowed and dollars you have invested in your business. History has shown the more money owners have invested in their businesses, the easier it is to attract financing.

Equity Financing

Most small or growing businesses use limited equity financing such as friends, relatives, employees, customers or industry colleagues for resources. However, the most common source of professional equity funding comes from venture capitalists. These institutional risk-takers may be groups of wealthy

individuals, government-assisted sources or major financial institutions. Most specialize in one or a few closely related industries.

Debt Financing

There are many sources for debt financing: banks, savings and loans, commercial finance companies and the SBA are the most common. State and local governments have developed programs in recent years to encourage the growth of small businesses in recognition of their positive effects on the economy. Family members, friends and former associates are all potential sources, especially when financing requirements are smaller.

Banks are the major sources of small business funding. They offer short-term, demand loans, seasonal lines of credit, and single-purpose loans for machinery and equipment. Banks generally are reluctant to offer long-term loans to small firms. The SBA guaranteed program encourages banks and non-bank lenders to make long-term loans to small firms by reducing their risk and leveraging the funds they have available. SBA’s loan programs are an important part of success for thousands of firms nationwide.

Learning About Finances

SBA’s Small Business Training Network features free training courses, workshops and resources focusing on business finances. Access it at www.sba.gov/services/training/index.html. SBA also has a network of partners across the country, which provides training, counseling and information on issues related to business financing. These partners include the Small Business Development Centers, the Women’s Business Centers and SCORE. For more information about these resource partners and the

services they offer go to www.sba.gov/aboutsba/sbaprograms/ed/index.html.

Editor’s Notes

TRAINING CALENDAR

Be sure to visit our WI Calendar at <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 April 2007 Loans

www.sba.gov/idc/groups/public/documents/wi_milwaukee/april07approvals.pdf

SBA April 2007 CDC Lenders

www.sba.gov/idc/groups/public/documents/wi_milwaukee/april07approvals.pdf

SBA April 2007 Micro Lenders

Lincoln Neighborhood Redevelopment Corp.
1 Loan for \$15,000

Wisconsin Women’s Business Initiative Corp.
1 Loan for \$35,000