

SBA

*Kentucky
District
Office*



Kentucky District Office

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Message from the Regional Administrator

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We have completed another record breaking year for SBA. Who could have imagined just two short years ago that we would be able to boast such successes in our loan guarantee, technical assistance and procurement programs? Without a doubt we have succeeded in meeting Administrator Barreto's challenge of touching a greater percentage of America's 25 million small businesses. I am extremely proud of the commitment and dedication that has been evident as I have visited district offices around the region. You are changing the image of SBA by bringing us closer to our customer and bridging the opportunity gap for small businesses as never before. As we begin a new year, I hope that every member of the Region IV SBA team will find time to reflect on both our successes and challenges from the past year and formulate new strategies that will help us break records again in 2005. We must never lose sight of the important role SBA plays in helping communities grow their economies, generate opportunity and create jobs.



Nuby Fowler
Regional Administrator

Nominations needed for the yearly Small Business Awards

The Kentucky District Office is accepting nominations for the following award categories:

Small Business Person Awards

- State Small Business Person of the Year

The National Small Business Person of the Year is selected from the state winners.

Phoenix Awards

- Disaster Recovery
- Outstanding Contributions to Disaster Recovery:
 - by a private-citizen volunteer
 - by a public official

The Phoenix Awards are presented only at the national level.

Small Business Champion Awards

- Financial Services Champion of the Year
- Home-Based Business Champion of the Year
- Minority Small Business Champion of the Year

Small Business Champion Awards, continued

- Small Business Exporter of the Year
- SBA Young Entrepreneur of the Year
- Small Business Journalist of the Year
- Veteran Small Business Champion of the Year
- Women in Business Champion of the Year
- SBA Family-Owned Small Business of the Year

Federal Procurement Awards

- Small Business Prime Contractor of the Year
- Small Business Subcontractor of the Year
- Dwight D. Eisenhower Award for Excellence
- Gold Star Award
- Frances Perkins Vanguard Award

The 2005 Awards Nomination Guidelines are available for download at <http://www.sba.gov/ky> under “What’s New” in PDF format or can be emailed upon request. Please email Arch McAlister, amcalister@centertech.com or call 606.677.6082 to get a copy emailed to you. In your request, please include a contact name, email address, organization name, and phone number for follow-up.

Key Deadlines

Dec. 3, 2004 National Small Business Week 2005 nominations must be received by SBA district offices.

Jan. 7, 2005 SBA district winners are selected from multidistrict states; state winners are selected from single-district states.

Feb. 9, 2005 A panel of judges selects state winners in multidistrict states.

Mar. 16, 2005 State Small Business Persons of the Year are announced.

Coach's Corner

SBA Kentucky District (KD) team achieves all-time record breaking results as FY2004 season ends

Congratulations to the KD team for achieving all-time record breaking results on the SBA scorecard in FY2004.

As we all know, "no single piece (or person) gets it done", it takes the entire team working together to make results like this happen. I would like to thank each and every member of the SBA Kentucky district office, all our collaborative lending partners, and our counseling partners at SBDCs and SCORE for their outstanding contributions to this banner season.

The SBA on a national level achieved all-time record results in FY2004 as well with 74,825 7(a) loan guarantees and 504 loans totaling 8,168. This represents a 21% and 22% increase, respectively, over FY2003. In fact, the combined total of these loans, valued at \$16.4 billion, is more than double the number of loans made by the SBA in 2001.

SBA and its resource partners (SBDCs, SCORE, and WBC) also provided more than 2.1 million entrepreneurs with business counseling and technical assistance last year.

The SBA KD team scored 709 7 (a) loan guarantees and an additional 51 loans in the 504 program in FY2004 which represents a 60% and 50% increase, respectively, over FY2003. These 760 loans with a total value of \$124 million made a significant contribution to growing prosperity in the Kentucky commonwealth last year. This performance level is nearly double the number of loans made by the KD team in 2001. As a team, we should be very proud of that level of positive economic impact. The KD team was recently recognized in the SBA Region IV Newsletter as the district office in the region with the greatest increase in overall lending over FY2003 performance.

The KD team and our resource partners (SBDCs and SCORE) also provided more than 20,000 entrepreneurs with business counseling and technical assistance last year.

We look forward to celebrating and recognizing the team's success in FY2004 with you at our lenders conference to be held on November 5th at Churchill Downs. The details for registration can be found in this newsletter on page 9. I look forward to seeing you there.

I was pleased to share the KD team's new vision and mission statements with you in our last newsletter. I have received many very positive comments on these products. The team's FY2005 strategic plan that includes a set of strategic objectives, critical success factors, and supporting winning team values and behaviors has been developed and launched. I am pleased to continue the process of sharing these products with you. Our strategic objectives, critical success factors, and winning team values follow. The winning team behaviors will be included in our next newsletter.

As the new coach of the SBA KD team at the end of my first season, I am very proud of the team and its accomplishments this year. I am proud to be a member of the team and look forward to another all-time record breaking season in FY2005.

Steven R. Ayers
Head Coach/District Director
SBA Kentucky District Team

Strategic objectives

⇒ DEMONSTRATE LEADERSHIP IN SMALL BUSINESS DEVELOPMENT IN THE COMMONWEALTH OF KENTUCKY AND IN EXECUTING OUR TRANSFORMATION TO THE “NEW SBA”.

⇒ IMPROVE THE QUALITY OF LIFE IN THE COMMONWEALTH THROUGH PRUDENT LOAN INVESTMENTS THAT SUPPORT THE CREATION AND RETENTION OF JOBS.

⇒ MEET THE KENTUCKY SMALL BUSINESS COMMUNITY’S CUSTOMER NEEDS WITH RELIABLE, CREATIVE, AND FLEXIBLE PRODUCTS AND SERVICES.

⇒ STRENGTHEN WORKING RELATIONSHIPS WITH OUR PRIMARY COLLABORATIVE PARTNERS SUCH AS THE LENDING, SBDC, AND SCORE ORGANIZATIONS AS WELL AS ALL SMALL BUSINESS STAKEHOLDERS.

⇒ CONTINUE THE POSITIVE TREND OF IMPROVED PERFORMANCE ON THE SBA BALANCED SCORECARD GOALS.

⇒ AGGRESSIVELY PURSUE THE DEVELOPMENT AND IMPLEMENTATION OF CREATIVE MARKETING & OUTREACH INITIATIVES TO INCREASE PROGRAM AWARENESS, LOAN VOLUME, AND CONTRACT MATCHMAKING OPPORTUNITIES FOR SMALL BUSINESSES.

CRITICAL SUCCESS FACTORS

- ⇒ **MAKE PRUDENT LOAN INVESTMENTS TO OPTIMIZE THE SBA LOAN GUARANTEE PORTFOLIO.**

- ⇒ **BUILD AND MAINTAIN SEAMLESS COLLABORATIVE PARTNERSHIPS WITH OUR KEY SMALL BUSINESS SERVICE PROVIDERS—LENDERS, SBDC, SCORE.**

- ⇒ **MAINTAIN THE EXCELLENT WORKING RELATIONSHIP THAT EXISTS WITH THE SBA CONTRACTING ORGANIZATION’S LOCAL REPRESENTATIVE WHO IS CONSIDERED A VALUED MEMBER OF THE KD TEAM. CONTINUE TO SEEK WAYS TO INTEGRATE CONTRACT MATCHMAKING ACTIVITIES INTO OUR TEAM INITIATIVES.**

- ⇒ **MEET OR EXCEED THE KD TEAM’S PERFORMANCE TARGETS ON THE SBA BALANCED SCORECARD GOALS.**

- ⇒ **ACCOMPLISH MORE WITH LESS BY COLLABORATIVELY TEAMING UP WITH OTHER SMALL BUSINESS ENTITIES TO LEVERAGE / COMBINE RESOURCES.**

- ⇒ **BUILD AND MAINTAIN THE KD TEAM’S CULTURE, OPERATING BUSINESS ENVIRONMENT, VALUES, AND SUPPORTING “WINNING TEAM BEHAVIORS”.**

- ⇒ **DESIGN AND DELIVER HIGHLY EFFECTIVE AND CREATIVE MARKETING & OUTREACH INITIATIVES.**

- ⇒ **CONTINUE TO RECRUIT ADDITIONAL QUALITY LENDING PARTNERS TO THE SBA KD TEAM.**

- ⇒ **EXCEL IN THE EXECUTION OF CUSTOMER SERVICE, PROCESS MANAGEMENT, AND STAKEHOLDER/ GOVERNMENT RELATIONS (FEDERAL, STATE, LOCAL, ETC).**

- ⇒ **DEVELOP THE WORKFORCE TO MEET THE CHALLENGES OF CHANGING BUSINESS NEEDS DRIVEN BY THE TRANSFORMATION TO “THE NEW SBA”.**

WINNING TEAM VALUES

⇒ PILLARS of PUBLIC TRUST

We are committed to serving the public good and earning its trust. Our words and actions are ethical, consistent, and trustworthy. As an agency, individuals, and as members of the KD Team, we cast positive shadows that set good examples.

⇒ RESPECT FOR THE PERSON

We recognize each individual, as a person, and value their work as an important part of the team's success. We support and appreciate each other and treat everyone with respect and dignity.

⇒ TAKING WORK OWNERSHIP

We take accountability for our own success, the KD Team's success, and SBA's success. We own our work. We acknowledge, correct, and learn from our mistakes.

⇒ COLLABORATIVE TEAMWORK

We recognize that "no single piece gets it done" and by working together as a team we can achieve greater results. We appreciate what each member brings to the team; support each other as team members, and work together to be the best of teams. We consistently use this approach with external stakeholder teams as well.

⇒ CREATIVITY AND PROCESS IMPROVEMENT

We continuously learn, benchmark ourselves against industry best practices, and generate creative ideas to improve our business processes.

⇒ OPEN COMMUNICATION CHANNELS

Open and honest communications is our norm as we interact with each other. We share information and ideas freely. We seek input and ideas from others and respectfully listen to the entire message.

⇒ FLEXIBLE & RESPONSIVE

We embrace change by focusing and finding solutions. We consistently demonstrate flexibility. We act quickly to respond to our partner & customer needs and improve performance.

7(a) and 504 Program Changes Effective October 1, 2004

The purpose of this notice is to explain the changes to the 7(a) and 504 Loan Programs effective October 1, 2004. These changes are in part the result of Continuing Resolution H.J. Res. 107 ("CR"), which will be in effect until November 20, 2004, and the expiration of certain temporary statutory provisions.

7(a) Program

The following chart explains the changes in the guaranty fee, the lender annual service fee, and the commercial loan fee as follows:

<u>Fees</u>	<u>Through September 30, 2004</u>	<u>Beginning October 1, 2004</u>
<u>Guaranty Fee</u>		
<u>Total Loan Amount</u> \$150,000 or less	1 percent (of SBA guaranteed portion)	2 percent (of SBA guaranteed portion). Lender is again permitted to retain 25 percent of the fee.
\$150,001 to \$700,000	2.5 percent	3 percent
\$700,001 +	3.5 percent	3.5 percent (no change)
<u>SBA-Guaranteed Portion of Loan Amount</u> \$1,000,001 to \$1,500,000	0.25 percent of the amount over \$1,000,000	No such fee (the fee, and the \$1.5 million limit on loan guarantee amount, both expired September 30, 2004)
<u>Lender Annual Service Fee</u> (under 13 CFR 120.220(f))	0.36 percent of the outstanding balance of the SBA guaranteed portion	0.50 percent of the outstanding balance of the SBA guaranteed portion
<u>Commercial Loan Fee</u> Combination Financing (created by Public Law 108-217 as of April 5, 2004)	0.7 percent of the amount of the commercial loan in a senior lien position	No such fee (Combination Financing expired on September 30, 2004).

On the above chart, the fees under the "Beginning October 1, 2004" column are effective for loans **approved** on or after October 1, 2004. The fees under the "Through September 30, 2004" column will be applied to all loans approved by SBA (which must include the issuance of a SBA loan number and obligation of SBA funds) through and including September 30, 2004.

Continued on next page

Other Changes

7(a) Loan Guaranty Limit: The loan guaranty limit under section 7(a)(3)(A) of the Act was temporarily increased from \$1.0 million to \$1.5 million (as a result of PL 108-217). This provision expired on September 30, 2004. As a result, beginning on October 1, 2004, the maximum guaranty permitted under this section is again \$1.0 million.

Combination Financing/Piggyback Financing: PL 108-217 also established a temporary new financing vehicle entitled "Combination Financing." The financing was comprised of a loan guaranteed under the 7(a) Loan Program and a commercial loan not guaranteed by the Federal government. In most cases, the SBA guaranteed loan was subordinate to the commercial loan. PL 108-217 provided that if the commercial loan was in a senior lien position, the lender participant of the SBA guaranteed loan was required to pay SBA an additional fee of 0.7 percent of the commercial loan amount. The combination financing provisions expired on September 30, 2004, and as a result, beginning October 1, 2004, "Combination Financing" is not allowed. Any provisions concerning Combination Financing that were imposed by SBA Policy Notice No. 0000-1727 are no longer effective. In addition, SBA's practice of allowing "piggyback financing", as defined in SOP 50 10 (4), will be suspended effective October 1, 2004, until further notice.

SBAExpress: The maximum loan amount for SBAExpress loans was temporarily increased from \$250,000 to \$2 million (as a result of PL 108-217). This provision expired on September 30, 2004. Accordingly, the maximum loan amount for SBAExpress loans **approved** on or after October 1, 2004 is again \$250,000, as set forth in the SBAExpress program guide dated October 1, 2002.

New 7(a) Wizard: SBA has altered the current 7(a) Authorization Wizard Version 2004 with a revised "7a Wizard 2004.1." 7a Wizard 2004.1 will be available on October 4, 2004, to Lenders and SBA personnel at SBA's banking website at www.sba.gov/banking. Normally, there is a 30-day grace period for Lenders to incorporate the newest version of the wizard. However, beginning October 4, 2004, Lenders must use 7a Wizard 2004.1 in order to ensure that they are meeting the requirements for 7(a) loans that become effective October 1, 2004. For SBA, the 7a Wizard 2004.1 will automatically replace the 7a Wizard 2004 on SBA's servers for use by the SBA field offices on Monday, October 4, 2004.

If you have any questions regarding the 7a Wizard 2004.1, please submit your questions to the 7(a) Authorization e-mail box at Auth-7a@sba.gov.

504 Fee Change: Each fiscal year, the on-going guaranty fee paid by 504 borrowers to SBA under 13 CFR 120.971(d)(2) is adjusted as part of the fee structure required to cover the costs of the 504 Program associated with loan defaults, and to keep the 504 Program at a zero subsidy rate. For loans approved in FY 2005, the on-going guaranty fee for 504 loans is 0.288 of one percent. This is a decrease from the FY 2004 fee of 0.393 of one percent.

SBA has notified Colson Services Corp. of this change.

Instructions to Manually Change the 504 Wizard: The on-going guaranty fee in the 504 Authorization "Wizard" must be changed by the user (whether SBA or the CDC) in order to reflect the correct fee. The wizard that is currently available has an on-going fee that will default to "0.393" in Paragraph B.6 of the 504 Authorization.

To set the on-going fee to the new value, first change the on-going guaranty fee to 0.288 in the "On-Going Guaranty Fee" Wizard panel of the Project Information Section. After inputting the above value, click on the "Default" button located in the same section. The value will then be set for all future 504 loan authorizations. Each user must set this default on their machine.

The next version of the 504 Wizard will reflect the fee in effect at that time.



U.S. Small Business Administration
Room 188 Mazzoli Federal Building
600 Dr Martin Luther King Jr. Place
Louisville, KY 40202

2005 Lender Training Schedule

Lender Training schedule has not been finalized at this time.

Contact Phil Danhauer, 502.582.5961 x243 or phillip.danhauer@sba.gov for more information.

Location: Training will be held in the Seaside Room of the Romano Mazzoli Federal Building

Small Business Development Days Schedule

January 11, 2005 Morehead State University Morehead, KY

Small Business Development Days are also planned in Ashland, Richmond and Nicholasville and will be scheduled in the near future.

For additional information about Small Business Development Days,

Email: amcalister@centertech.com or call 606.677.6082

November 5, 2004 **SBA Kentucky Lenders Conference**
Churchill Downs, Louisville, KY



For a brochure or more information, contact Diana Hurley at 502.582.5971 x241 or email Diana.Hurley@sba.gov

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