

News & Views

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Federal Regulators and SBA Launch SBIC Outreach Program

America's inner cities and rural communities remain investment frontiers, often underserved by financial institutions and venture capitalists. Yet these areas are rich in talent, energy and potential. Given adequate capital and sound guidance, they can flourish and offer investors a chance to build new lines of business from the ground up in low competition environments.

An important potential source of this capital is the Small Business Investment Company (SBIC). SBICs, licensed and regulated by the SBA, are privately-owned and privately-managed investment firms that use their own capital, plus funds acquired with SBA guarantees, to make investments in small businesses. SBICs provide risk capital in the form of long-term debt and equity financing to small businesses for their growth, modernization or expansion.

You can learn more about the benefits of the Small Business Investment Company (SBIC) Program by attending one of a series of workshops to be held throughout the country this spring. The program will cover how SBIC partnerships combining SBA programs and private sector investors can be used to provide equity-type capital to meet the growth needs of small businesses.



Outreach Program continued from page 1

Over the past 40 years, those partnerships have provided more than \$20 billion in financing to small businesses and have helped create hundreds of thousands of jobs. Nevertheless, many worthy businesses and individuals, particularly in urban and rural communities, are not aware of the resources available to them through this program. These workshops are designed to heighten awareness of the SBIC to potential borrowers.

How SBICs Pioneer Success The Small Business Investment Company Program is a unique public/private partnership through which the SBA supplements the funds provided by private venture capital investment firms. The supplemental funds—or leverage—provided through SBA guarantees, may equal two to three times the invested private capital. As long as SBICs operate within the regulations under which the SBA licenses them, their private owners and managers who make all investment decisions control them.

Building New Markets on the Financial Frontier The SBA's Small Business Investment Company Program staff is conducting six, one-day workshops on the capital needs of inner cities and rural communities. Bankers, venture capitalists and representatives from community development groups will learn how the SBIC program can help them push back the financial frontier and establish profitable new markets.

Keynote speakers at the various workshops include:

■ Michael H. Moskow,
President
Federal Reserve Bank
of Chicago

■ Rev. Jesse L. Jackson, Sr.,
Chairman and CEO
Rainbow Coalition/
Operation PUSH
Wall Street Project, Founder

■ Aida Alvarez, Administrator
U.S. Small Business
Administration

■ John D. Hawke, Jr.,
Comptroller of the Currency

■ Fred Hochberg,
Deputy Administrator
U.S. Small Business
Administration

■ Ellen Seidman, Director
Office of Thrift Supervision

■ Jesse L. White,
Federal Co-Chairman
Appalachian Regional
Commission

Workshop attendees will learn about the SBIC program and how it can open doors of opportunity and contribute to the economic health of this country. It is hoped that as a result of the outreach workshops new SBICs will be formed. The new SBICs could reach businesses in "new markets" that potentially could qualify for SBIC assistance.

The workshops are sponsored by the Federal Reserve Banks of Chicago, Kansas City, New York, Atlanta, Dallas, and San Francisco; and the FDIC, OCC, OTS, and the U.S. Small Business Administration. ■

When and Where Where
Workshops Will Be Held
March 23, 1999
The Ambassador West
Chicago, IL.
Register by: March 9

April 6, 1999
The Ritz-Carlton
Kansas City, MO
Register by March 23

April 12, 1999
Grand Hyatt
New York, NY.
Register by: March 29

May 6, 1999
Hyatt Regency
Atlanta, GA.
Register by: April 22

May 17, 1999
Sheraton Grand
Dallas, TX.
Register by: May 3

June 2, 1999
Hyatt Regency
San Francisco, CA.
Register by: May 19

To register, please contact 1-877-REG-ISTA, or 1-800-734-9496, both toll-free numbers.

For more information regarding the SBIC Program or workshops visit the U.S. Small Business Administration Web Site at: www.sba.gov/inv or call the Federal Reserve Bank of Chicago at 800/333-0894 ext. 8232.

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"Y2K" BUG DEADLINE IS JUST 274 DAYS AWAY

*New SBA 'Fax-Back' Service
Can Help With Y2K Woes*

As of April 1, 1999, there are just 274 days left until January 1, 2000, when small business owners, along with millions of other Americans, will learn if they've taken adequate steps to deal with the Year 2000 computer bug.

According to the Small Business Administration (SBA), the clock is ticking and small business owners can't afford to delay their Y2K preparations. To lessen the impact of the Y2K problem, the SBA announced a new "fax-back" service that gives small business owners and the public a new and easy way to gain Y2K information.

It's easy to use SBA's Y2K fax-back:

1. Call toll-free: 877-RU-Y2K-OK (877-789-2565).
2. Make your selection from a menu.
3. Within minutes, you'll receive a fax targeted to your specific Y2K needs.

SBA's Y2K fax-back can be used on touch-tone or rotary dial telephones and is available 24 hours a day. It supplements SBA's other Y2K information resources. These include a Y2K Internet home page at www.sba.gov/y2k/ and SBA's toll-free Answer Desk at 800-U-ASK-SBA (800-827-5722). Answer Desk staff will route callers to the best sources of Y2K information.

In a nationwide outreach campaign to small business owners, the SBA is stressing the importance of assessing every company's vulnerability to Y2K-related problems. Addressing Y2K problems early, testing to verify fixes, and building contingency plans to deal with unexpected glitches are critical steps to avoiding larger problems when the deadline arrives.

"As a small business owner, you should view Y2K as a business and management issue, just like a host of other issues you face every day," said SBA Deputy Administrator Fred Hochberg. "SBA's Y2K fax-back is one more way SBA can help you land feet first in the 21st century on January 1, 2000."

In dealing with Y2K, the SBA urges small business owners to take three immediate steps:

1. Determine your business' Y2K risk with affected hardware, software or embedded data chips. A self-assessment test is available on the SBA's Internet Y2K web page www.sba.gov/y2k/.
2. If you are vulnerable, take action now. Don't wait. Fix your problem and test the results. Develop contingency plans to deal with the effects of Y2K problems outside your control.
3. Stay informed. Accurate information may change as solutions evolve.



Summit for Businesswomen Set for Toronto

The Small Business Administration's inaugural U.S.-Canada Businesswomen's Trade Summit will be from May 17 through 21, 1999, in Toronto.

U.S. Secretary of Commerce William Daley and SBA Administrator Aida Alvarez will chair the summit. Officials hope the meeting will provide an excellent opportunity for U.S. businesses to expand into the Canadian marketplace.

Canada is the United States' largest and most receptive



export market worldwide. Trade between the two countries has more than doubled since the free trade agreement was implemented in 1989. Trade totals more than \$1 billion per day and

is still growing. Canada imports from the U.S. more than all countries in the European Union combined.

On the first day of the summit, delegates will discuss public policy and make recommendations on what is needed to help women do more business across the border. The remaining days will be devoted to networking, one-on-one business meetings, off-site visits, workshops and a trade show.

An estimated 300 women are expected to participate, half from each country.

Woman-owned businesses in the following fields are being sought to participate: information technology and telecommunications; biotechnology, medical and healthcare; business, professional and educational services; consumer products; and agriculture and food products. ■

For additional information contact the U.S. Small Business Administration, Illinois District Office, 500 W. Madison St., Suite 1250, Chicago, Ill. 60661-2511, (312) 353-4528

Finance

State Enterprise Zone Financing Program



To promote economic development within Illinois' State Enterprise Zones, the Illinois Department of Commerce and Community Affairs (DCCA) implemented the Enterprise Zone Financing Program last year.

This financing mechanism, which is a derivative of the Participation Loan Program (PLP), is designed to encourage businesses to locate within an Illinois Enterprise Zone. There are 91 Enterprise Zones designated statewide including three Enterprise Zones that have been certified under the Quad Cities

Regional Economic Development Authority, the Southwestern Illinois Economic Development Authority, and the Upper Illinois River Valley Development Authority Acts.

The program has been successful. Seven projects totaling more than \$10,023,970 have been funded in just three months. The program works through participating financial institutions. The institution providing the loan must enter into a Master Participation Agreement, outlining all terms and conditions of participation between the financial institution and the DCCA.

DCCA's term matches that of the participating bank, but DCCA funds cannot be amortized longer than 10 years unless there

is a balloon payment provision. Enterprise Zone administrators must verify that the business project is located in the Enterprise Zone for the business to be eligible for this program's incentive rate financing.

Key Program Features

- Most industries can participate in the program.
- Any for-profit entity located in an Illinois Enterprise Zone, that is not dominant in its field, or that has fewer than 500 employees is eligible.
- DCCA's participation can be between \$10,000 and \$750,000, but cannot exceed 25 percent of the total project.

- DCCA's rate is 200 basis points below the prime rate (as published in the Wall Street Journal) but not less than 3 percent.

- DCCA will allow the participating financial institution to retain 50 basis points to cover the costs of servicing the loan, or it may elect to pass along the 50 basis points to the borrower.

- There will be no subordination fee on DCCA's portion of the financing. ■

For additional information on the Enterprise Zone Financing Program or any of DCCA's Financing Programs contact the Illinois Department of Commerce and Community Affairs at 312/814-2301, 217/785-6328, or 618/993-7270.

Empowerment Zone Resource Center Opens

Chicago's Empowerment Zone Resource Center (EZRC) has opened its doors in a temporary location in the Small Business Administration office at 500 W. Madison St., Suite 1250, Chicago.

The EZRC will be moved to the One Stop Capital Shop location in the Chicago Empowerment Zone at a future date.

"This is the first step in meeting our commitment to the Empowerment Zone Communities of Chicago," said Anthony J. McMahon, the SBA's acting Illinois district director.

Empowerment zones were created nationally to enhance community development in low-income areas. The program includes revitalization efforts in important areas such as housing, education, crime prevention and economic development. There are three clusters in the Chicago Empowerment Zone: the West and South sides, and one in Pilsen-Little Village.

The Chicago EZRC is one of many empowerment zone centers in the United States. "The EZRC will assist entrepreneurs and community development

organizations by supplying all necessary resources in one place to foster growth, expansion, access to capital and job creation," McMahon said.

"Such program activities have important implications for Welfare-to-Work and Welfare-to-Self-Employment efforts. We at the SBA are enthusiastic about working with the State of Illinois Department of Commerce and Community Affairs and the City of Chicago to advance these important initiatives."

The EZRC will feature local busi-

ness-development service providers, including the Small Business Development Center network in combination with the EZRC staff. Specialists in business counseling and loan packaging will be available along with a wide variety of resources in the SBA's high-tech, on-site Business Information Center. Free counseling by the Service Corps of Retired Executives will also be available. ■

For more information on the EZRC, call Paul Gibson at the SBA's Illinois District Office, (312) 353-5125.

Detroit Web Site Encourages Economic Development



*George W. Jackson, Jr.
Detroit Edison*

*By: George W. Jackson, Jr.
Detroit Edison
Economic Development &
Ethnic Marketing, Manager*

Companies from their home offices in Japan, Germany and Britain who are interested in doing business in Southeast Michigan have toured potential buildings and land locations by using Detroit Edison's economic development, web site.

After nearly two years in operation, the site is garnering 5,900 "hits" per week — all through special short-term passwords available from the utility's economic development team. But that number will likely grow as the company aligns with the Michigan Jobs Commission and the Michigan Economic Development Association to form the Michigan Site Network.

The Site Selection Service initially used data from commercial real estate firms to feature 800 sites in a 13-county area. The number of sites expanded to 3,100, but since Dec. 16, the site has expanded to include the entire state and 7,100 sites.

The site has saved hours of physical travel and given developers all over the world basic property information at their fingertips. Because it combines aerial photos with geographic information, this tool allows developers to see photos and maps of properties, as well as site data.

The Site Selection Service allows developers to input their specifications to instantly find locations that may fit their needs. Detroit

operators, municipalities and companies are the primary users. With the expansion of the site statewide, it will greatly increase the ability for Detroit Edison to market itself. Furthermore, with deregulation around the corner, it will provide prospective customers with another value-added service.

In addition to the Michigan Site Network, Detroit Edison will soon offer a business climate database, which will

Detroit Edison's Economic Development and Ethnic Marketing program has a 25-member staff and is the largest private sector group of its kind in Michigan. Its regional and subject matter specialists can guide clients in major market segments, including petrochemicals, plastics, agribusiness, automotive, research and development, printing and publishing. ■

Detroit Edison's Economic Development team provides developers with the tools they need to go from planning to groundbreaking...

Edison enhanced Intergraph's GeoMedia Web Map with aerial photographs, maps and infrastructure information to create an interactive database. The site also has links to labor statistics and community profiles.

The site also now includes detailed information about Detroit's Renaissance and Empowerment Zones, brownfields and wetlands; however, it can only be accessed by contacting the economic development team for a special, short-term password.

Brokers, realtors and chamber of commerce officials have spread word of the site. Economic devel-

provide a county-by-county breakdown of business costs, community profiles and labor market information throughout the state. The database will compare business costs for locations in Michigan, other states, and Ontario, Canada.

Detroit Edison's Economic Development team provides developers with the tools they need to go from planning to groundbreaking. The team will help developers make appropriate community contacts, provide physical property tours and guide them through the site approval process with local governmental units.

Detroit Edison, Michigan's largest electric utility, serves more than 2 million customers in Southeastern Michigan. It is the principal operating subsidiary of DTE Energy Co., a diversified energy company involved in the development and management of energy-related businesses and services nationwide.

For more information about Detroit Edison's economic development team, call (800) 845-0320. Detroit Edison's Web site address is <http://www.detroit.edison.com>.

1998 SBA Achievements Boost Efforts for 1999



By Peter W. Barca,
Midwest Regional Administrator
U.S. Small Business Administration

The U.S. Small Business Administration (SBA) helped tens of thousands of Americans start or expand their small businesses.

"This record reflects our government's ongoing commitment to a growing economy and its awareness that small businesses make up the sturdy foundation for that growth. Since the end of Fiscal Year 1992, the SBA has backed more loans to small businesses than was accomplished in the previous 12 years combined," Administrator Alvarez said.

1998 Results

For 1998, the SBA approved 42,268 loan guaranties amounting to \$9.02 billion in the 7(a) General Business Loan Guaranty program and 4,930 loans worth \$1.78 billion under the Certified Development Company (CDC) 504 loan program. The combined dollar amount of \$10.8 billion is exceeded only by the previous mark of \$10.9 billion set in 1997. In FY98, the SBA's Midwest Region, encompassing Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin, approved 5,562 7(a) loans for \$1.079 billion and 858 CDC loans for \$304 million for a combined dollar amount of \$1.383 billion, exceed-

ed only by the \$1.445 billion combined dollar amount achieved in FY96. These are accomplishments we can all be proud of. By making our assistance more available to those firms that need it, we are taking a major step forward to position the SBA and the nation's entire small business community for the new economy of the 21st century; we have a great story to tell.

"New Markets"

The SBA's achievements are evidence that a rising tide lifts all boats. Most exciting is our progress toward realizing our three-year goal of providing greater assistance to "New Markets," those small businesses with financing needs that are often not met in the commercial marketplace. Last year, we identified a real opportunity gap in the market for minorities and women, both in terms of the economy and demographics of 21st century America and also in terms of what our customers told us that they need. The SBA attempts to parallel what is occurring in the private sector. The "New Markets Initiative" outreach effort is helping the SBA keep pace with the changing face of American small business. The latest Census Bureau figures show that the number of businesses owned by Hispanics grew by 83 percent over the last five years, and businesses owned by African-Americans grew by 46 percent. This

compares to a 26 percent growth rate for all businesses during this period. Meanwhile, by the year 2005 there will be about 4.7 million self-employed women. This is an increase of 77 percent since 1983, compared to a 6 percent increase in the number of self-employed men.

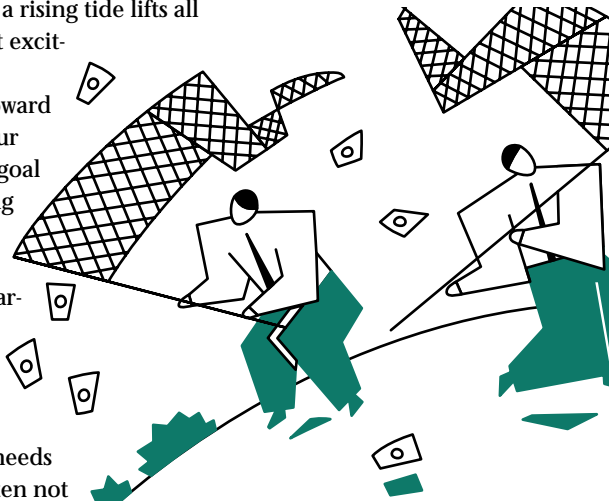
Partnerships are Key
The best way to promote economic empowerment among

forged partnerships with lender groups and national and local community organizations that will help us reach all of our customers. We have recently reinvented loan products that are going to be especially helpful for start up, minority, and women entrepreneurs as well as others lacking full access to traditional loan markets, such as rural Americans, veterans, people living in distressed urban areas, and firms engaged in exporting.

Opportunities for Lenders
Banks have discovered small business as the engine that drives economic growth and a source of new customers. You can see it in the ads they target to small business. In addition, the economy has been doing so well that many banks are now making loans themselves, particularly smaller loans, that in the past they would not have made without the SBA guarantee. Many have even modeled new small business loan products after SBA's. While we at the SBA are pleased that banks are lending to small businesses, there is still an "opportunity gap" for "New Markets" customers. For example, African-Americans represent 12.7% of the population but only 3.6% of all businesses. Hispanics represent 10.9% of the population but own only 4.5% of all businesses. Women-owned businesses have been increasing steadily, and more rapidly than other businesses – growing 89% over the last decade, with revenues increasing an astonishing 209% over the same period. Despite owning about one third of all American businesses, women still face difficulties getting credit and capital.

underserved groups is to support the development of small businesses in their communities. The SBA can serve a broader cross-section of America's small businesses, but it will require a significant increase in SBA's marketing and outreach activities. The agency has set aggressive outreach goals for loans to minority- and women-owned businesses. It is taking the message of entrepreneurship to a much wider audience and giving entrepreneurs the capital tools necessary to finance success.

Rural & Minority Outreach
Over the past year, we have established a strong foundation and



1998 SBA Achievements *continued from page 6*

We have laid the foundation to help many more small businesses and entrepreneurs in the coming years. We have spent the past year forming new partnerships at the national and local levels with groups such as the NAACP, US Hispanic Chamber, National Black Chamber, Urban League, NAWBO, and others in order to raise our agency's visibility. Our experience this past year has shown us that these "New Markets" communities need smaller loans and revolving lines of credit. We are excited about having our enhanced loan products, *SBA LowDoc*, *SBA Express*, PreQualification, and our MicroLoan program, available to serve our borrowers and lenders. We know from a series of forums we held around the country last year that the revolving credit line that *SBA Express* offers is important to women.

Additional SBA Participants
We have signed agreements with the National Association of Government Guaranteed Lenders (NAGGL), representing the 700 participating lenders that origi-

nate upwards of 75 percent of SBA-7 (a) guaranteed loans and the National Association of Development Companies (NADCO), representing the 300 economic development corporations that originate SBA 504 loans. We will work aggressively with NAGGL, NADCO, and other partners to develop better ways to provide training and education and to make sure the borrowers and lenders who could most benefit from our programs and services learn about the assistance we have to offer. Given all this, we are confident that we are on track to significantly increase access to capital for SBA's "New Markets" by the Year 2000. With the private sector undergoing significant re-structuring, it has expressed strong support for the SBA's efforts. In a very real sense, we are taking the SBA to a different level. That's what the "New Markets" Initiative is all about. But there is more work to be done.

We will continue to forge a strong connection between management, technical assistance, and financial assistance, in an effort to make each individual loan more successful. The SBA and its resource partners provide a spectrum of free counseling,



reasonable-cost training, and other management and technical assistance to pre-business, start-up, and existing entrepreneurs. SBA is there to assist the nation's 23.5 million small businesses in overcoming problems or taking advantage of opportunities.

In another unprecedented partnership agreement, Ford, GM, and Chrysler all agreed to focus their efforts on 8(a) companies, and bring those companies into their supplier base. The payoff will be more business for more minority suppliers and more jobs and dollars in the communities where those suppliers are located. Last year, Administrator Alvarez announced the final version of the package of reforms that will strengthen and improve the 8(a) program, which has proven its value time and time again.

Another important initiative that has paid dividends is our effort

on behalf of the Welfare- to-Work initiative. Administrator Alvarez joined Vice President Gore in a town meeting in Washington to identify ways small businesses can benefit from hiring welfare workers — including tax credits and wage subsidies. The SBA made a pledge to facilitate helping small businesses to hire 200,000 people off of public assistance by the Year 2000. We are pleased to announce that in 1998, nearly 80 percent of our district offices nationally and over 85% of our district offices regionally have exceeded their goals, placing the overall national total at over 102,000, with a regional total approaching 18,800.

Finally, the SBA has become the leading agency in the government's effort to convince Americans — particularly small businesses — to deal with the so-called Y2K bug. We have moved from running a simple, no-frills *awareness* effort to a fully equipped, state-of-the-art *action* program with practical instructions and seminars all over the country. Our Y2K Action Week last October and the hundreds of events that will continue over the coming months are a tremendous step forward in helping small businesses become Y2K OK.

So there you have it. Those were the SBA's highlights for 1998. It was a great year. We expect 1999 will be an even better one. ■

Contact the SBA at 1-800-U-ASK-SBA, or <http://www.sba.gov> to learn about the SBA's programs and services or for further information about your local SBA offices and resources.

SBA Question and Answer

Q. What is a startup business?

A. For purposes of financing, startup businesses include those that are about to open their doors, as well as those that have been operating for 18 months. In fact, many lenders will consider any business operated less than three years to be a startup.

Startup businesses are unique because they lack a track record that allows lenders to evaluate the management, sales

and financial strengths of the business. A strong, successful business with a track record allows potential lenders or investors to make a reasoned decision before committing funds.

If you are buying a business or franchise, you will be considered a startup, but the track record of the existing business or franchise could be an advantage in negotiating financing.

1998 SBA Accomplishments in Illinois



By Anthony J. McMahon
Acting Illinois District Director
U.S. Small Business
Administration

The SBA's Illinois District Office and Springfield Branch Office had a significant impact on the small business community in Illinois in 1998.

The SBA and its resource partners — Illinois Small Business Development Centers, the Service Corps of Retired Executives, U.S. Export Assistance Center and the Business Information Center — have assisted thousands of Illinois small businesses with access to capital and management and educational assistance. Obtaining the money is important; however, learning to manage that money is what ensures success.

Additionally, the SBA entered the field of electronic commerce by implementing new uses of technology to create new SBA services, improve current services, and reach millions of entrepreneurs. The SBA strengthened its minority business development and established a regulatory fairness program for small businesses, and assumed a leadership role in the

Welfare-to-Work initiative, resulting in the second largest response in the nation.

SBA staff was out in the field more, interacting with our service providers and meeting with small business owners to assess their needs and see how the SBA can help them meet their challenges.

Much of the success this agency achieved in Illinois is not quantifiable in loan figures. Our offices' contributions to marketing and business development provide a significant benefit to the small business community.

In 1999, we look forward to a bigger and better lending year, increased marketing and outreach, more field visits, and more support for what we call "new markets:" those previously underserved groups including minorities, women and distressed urban and rural communities.

We intend to build on our base as the second-highest volume SBA district in the nation for loans to African-Americans.

Last year the SBA identified an opportunity gap in the small-business markets for minorities and women. We listened to what our customers told us, and we did our homework on America's changing economy and demographics.

New Products
The Agency introduced two new products to address the needs of new market businesses: *SBALowDoc* and *SBAExpress*.

SBALowDoc, the Agency's most widely used lending program,

was enhanced in 1998 to increase the availability of loans under \$150,000. Also, SBA streamlined the loan review process. Under this program, the lender submits a one-page application that is usually processed within 36 hours. The SBA relies heavily on the strength of the business owner's character and credit history to determine the owner's ability to repay the loan.

SBAExpress enables lenders to use their existing documentation and procedures to approve and service loans to \$150,000. The SBA may guarantee up to 50 percent of a *SBAExpress* loan. The program expedites the lending process. It is being used on a limited basis in Illinois by the 30 SBA preferred lenders in the state.

We believe that the best way to promote economic empower-



ment is to contribute to the development of small businesses among new market entrepreneurs. The SBA, including its Illinois District and Springfield Branch offices, has set aggressive outreach goals for loans to minority and women-owned businesses. We've done very well but we want to do even better.

A key weapon in the SBA's arsenal for assisting small businesses is the Agency's various guaranteed loan programs.

Illinois 1998 Results
The Illinois District Office and Springfield Branch Office approved a total of 1,257 loans with a value of \$281.2 million last year. Of that total, 1,117 were **7(a) General Business Loan Guaranty** loans totaling \$226.3 million. There were 503 **LowDoc** loans for \$31.7 million.

In Illinois, the SBA approved 140 loans in the **Certified Development Company 504 Loan Program** totaling \$54.8 million. These loans created 3,911 jobs in the state. The existing job total for the 504 Program was 5,235. The 504 Program total project amount was \$135 million, including debenture bond financing, owner equity and first mortgage financing.

In the **Export Working Capital Program (EWCP)**, the SBA's Illinois offices approved 20 loans in 1998 totaling \$6.2 million. These loans will help to generate an additional \$10 to \$15 million in export sales.

Preferred Loan Program (PLP) lenders approved 290 loans totaling \$99 million, compared with loans totaling \$92.4 million in the previous fiscal year.

The overall impact of the regular lending programs and the 504 economic development programs was to bring economic stimulation to the state of Illinois, financing business projects totaling more than of \$361 million. These projects created 6,281 new jobs and had an impact on the stability of 9,542 existing jobs for a total 15,823 jobs affected.

continued on page 9

1998 SBA Accomplishments in Illinois *continued from page 8*

Focus on New Markets

The SBA's Illinois offices have been active in reaching out to new markets. These efforts include SBA community service awards to lending institutions that have excelled in loans to Hispanic, African-American and Asian-American small businesses.

We have also signed agreements, called memoranda of understanding (MOUs) with nonprofit groups and government agencies to work together to increase lending and developmental assistance to targeted groups.

MOUs were signed by the SBA, the Latin American Chamber of Commerce, the Asian-American Alliance, the Cosmopolitan Chamber of Commerce, Chicago Urban League, the Continental African Chamber of Commerce, the U.S. Agriculture Department, and the Illinois Department of Transportation.

Statistics show that the SBA is having nearly twice the impact on small businesses in the U.S. as it did in 1992, with a smaller budget and a 25 percent smaller staff. The SBA's Illinois offices

are doing more with less by extending efforts to work with other organizations to assist entrepreneurs.

The SBA in Illinois will continue to forge strong links between management, technical and financial assistance in an effort to make the most of each individual loan to an entrepreneur.

We will continue our outreach efforts, working with our resource partners to provide guaranteed loans, along with a wide variety of free counsel-

ing, low-cost training and other management assistance to U.S. entrepreneurs — the engine that makes the American economy go. ■

For information on the SBA's many programs, services and initiatives, call the SBA's Illinois District Office at (312) 353-4528. Additional information about the Agency is available at its Web site www.sba.gov or at the SBA's toll-free Answer Desk at (800) 827-5722.

Increasing Markets Through PRO-Net

The U.S. Small Business Administration (SBA) recently held government contracting workshops on PRO-Net, its procurement information network.

PRO-Net is an interactive, electronic database of federal government procurement information designed to bring together small businesses and federal procurement officers. "PRO-Net is a virtual one-stop procurement shop for government contracting," said Anthony J. McMahon, the SBA's acting Illinois district director.

The PRO-Net system contains profiles of more than 177,000 small businesses nationwide, including disadvantaged, 8(a) certified and woman-owned firms. There are 7,000 Illinois small businesses in the database.

According to McMahon, the U.S. government is the largest consumer in the world, with annual purchases totaling \$200 billion.

An estimated 22 percent of those purchases go to small businesses. Of those, 42 percent are through a first-tier subcontract.



McMahon explained that one of the workshop goals was to "familiarize the public with marketing tools in the general business arena." In addition to PRO-Net, other programs discussed at the workshop included:

- The new Small Disadvantaged Business (SDB) program — The federal government provides SDBs seeking prime federal

procurements a price evaluation adjustment of up to 10 percent for contracts in industries that reflect what the government

deems the effects of previous discrimination.

- The HUBZone program — The federal contracting opportunities program targets certain qualified small businesses, that are located in distressed communities, in an effort to promote private sector investments and employment opportunities in these communities.

- Recent changes in the 8(a) program — The SBA has improved this program, which assists the development of small firms owned and operated by people who are both socially and economically disadvantaged. The changes include creating a mentor-protégé program, enhancing the ability of small business to obtain large prime contracts, providing more equitable distribution of 8(a) contracting opportunities and revising the standard for social disadvantage. ■

There are PRO-Net access partners throughout the nation. In the five states served by the Federal Reserve Bank of Chicago, there are 26 access locations. For the access location nearest you or for additional information, contact the Small Business Administration at 800/827-5722.

Small Business and the Year 2000

How will it impact your firm, business suppliers and other business partners?

The inability of many computer systems to process dates beyond December 31, 1999, commonly known as the Year 2000 problem, seems like a bad joke.

However, the Year 2000 problem is a huge issue, locally, nationally, and even globally, and it poses unique challenges for the small business owner. The problem exists because dates are encoded in a YYMMDD six-digit format rather than a YYYYMMDD eight-digit format. Unfortunately, the six-digit date field doesn't differentiate between the 20th and 21st century. That could cause significant problems in computer systems that process date-sensitive information and calculations.

To assist small businesses in understanding the myriad aspects of the problem, the Fed recently released *Small Business and the Year 2000*. The pamphlet—available through the San Francisco Fed's web site at [http://](http://www.frbsf.org/fiservices/cdc)

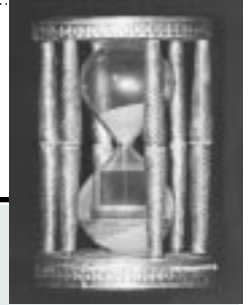
www.frbsf.org/fiservices/cdc and in hard copy from the Federal Reserve Bank of Chicago -- defines the Year 2000 problem and discusses steps small business owners can take to begin addressing the problem.

The pamphlet provides additional information on maintaining small business information systems in a Year 2000 compliant manner, contingency planning, and useful reference materials is also provided. A five-phase framework (see chart below) is suggested to manage small businesses' Year 2000 approach. If you need to increase your knowledge about the Year 2000 problem, you'll want to get your hands on this informative publication soon. After all, the Year 2000 will come whether you're ready or not. ■

For more information, contact the SBA at (800) U-ASK-SBA. For the SBA's Y2K fax-back service, call 877/ RU-Y2K-OK, or visit the SBA's Y2K Web site at www.sba.gov/y2k/.

Are You Y2K OK?

<i>Suggested Readiness Steps</i>	
Phase	Approach
1 Awareness	Educating and involving all levels of your organization in solving the problem
2 Inventory	Creating your checklist toward Year 2000 readiness
3 Assessment and Planning	Examining how severe and widespread the problem is in your business and what needs to be fixed
4 Correction and Testing	Implementing the readiness strategy you have chosen and testing the fix
5 Implementation	Moving your repaired or replacement system into your production environment



Other sources of help

There are many helpful sources you can turn to in making your business ready for the century date change. There are thousands of web sites dedicated to the year 2000 problem. Many sites have links to sources of free software, planning tools, discussion groups, and so forth. Below is a short list of some useful web sites:

<http://www.year2000.com>

Peter de Jager's web site—a good source of links to other sites

<http://www.compinfo.co.uk/y2k/manufpos.htm>

links to computer manufacturers' home pages where you can find Year 2000 compliance information

<http://www.software.ibm.com/year2000/>

IBM's Year 2000 page

<http://www.microsoft.com>

Microsoft's Year 2000 page

<http://www.gmt-2000.com/main.htm>

Greenwich Mean Time's home page with evaluations of PC testers and BIOS chips useful for PC evaluation

<http://pw2.netcom.com/~helliott/00.htm>

the so-called "mother of all Y2K link sites" contains many links to other sites

<http://www.jks.co.uk/y2ki/confer/notices/dtisme01.htm>

link to report entitled "Helping the Small Business Tackle Year 2000"

<http://www.sba.gov/y2k/>

The Small Business Administration web site

<http://www.year2000.unt.edu/WCS>

Society for Information Management

<http://www.isquare.com/y2k.htm>

The Small Business Advisor web site

If you are a financial institution and you have a regulatory or supervisory question about Year 2000 compliance, contact Ray Bacon, director, Special Exams, Federal Reserve Bank of Chicago, 312/322-5916.

*If you are a small business person and have questions about the publication *Small Business and the Year 2000*, as well as steps the Federal Reserve System is taking to address Year 2000 concerns in financial institutions, contact the Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago, 312/322-8232.*

ECOA and Small Business and Farm Lending

*By Helen K. Mirza
Community Affairs Program Director
Federal Reserve Bank of Chicago*

The Equal Credit Opportunity Act (ECOA) and its implementing regulation, the Federal Reserve's Regulation B, continue to be the subject of intense concern and focus among banks, thrifts, and the federal financial regulatory agencies. It is widely understood that this act and its implementing regulation apply to consumer and mortgage lending. It appears less well understood that they apply equally to commercial, agricultural and business lending.

Under the new Regulation BB, which implements the revised Community Reinvestment Act (CRA) regulations, large banks are now required to report small-business and small-farm loans to regulators for purposes of assessing the credit needs of these economic sectors. Along with this new focus on small business and farm credit is a renewed interest in the fair and equitable treatment of small-business and farm borrowers.

In lending to small businesses and farms, financial institutions generally have their underwritings on a personal credit analysis of the principal(s) and the credit and financial history (if any) of the business or farm. If the business or farm is a relatively new venture with limited financial history and/or assets, the underwriting is usually based exclusively on the creditworthiness of the principal(s). As a result, it is sometimes difficult to determine the exact nature of the under-

writing criteria and application of the ECOA to the business or farm credit.

extension of credit from a creditor," and further defines a person as, "a natural person, corporation, government or government-



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The ECOA and Regulation B state that, "The purpose of this regulation is to promote the availability of credit to all credit-worthy applicants without regard to race, color, religion, national origin, sex, marital status, or age." The regulation also defines an applicant as, "any person who requests or who has received an

tal subdivision or agency, trust, estate, partnership, cooperative, or association." Individual proprietorships, whether a business or a farm, are defined as "persons" because their legal existence is through the natural person. Therefore, credit to a business or farm is always subject to ECOA and Regulation B.

This is true irrespective of whether the credit underwriting is based upon the individual proprietors' credit or on the credit history, assets, and financial strength of the business or farm.

Regulation B also separately defines "business credit" as that which "refers to extensions of credit primarily for business or commercial (including agricultural) purposes." Note that the distinction is based upon the purpose of the credit and not on the applicant or whether the underwriting was based on personal or business credit worthiness. This distinction is important because it follows that discrimination, which is based upon personal attributes, such as race and gender, can occur in the underwriting process even though the credit is for business or commercial purposes.

Consequently, the regulators strongly encourage commercial and farm lenders to be as familiar as the underwriters of consumer and mortgage loans with the requirements of Regulation B and ECOA. All are subject to the anti-discrimination and technical requirements of the law, including adverse action notices and monitoring information. ■

If your financial institution would like additional information or training on the ECOA, Regulation B, or other applicable fair-lending laws and regulations, please contact the Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago at (312) 322-8232.

Detroit Bank Consortium Surpasses Goals

In 1994, the U.S. Department of Housing and Urban Development designated the City of Detroit as one of six urban Empowerment Zones. The Empowerment Zone/Enterprise Community Initiative is a major federal effort, launched in collaboration with local communities, to revitalize urban and rural areas of persistent poverty.

Notable in Detroit's application were significant commitments by the private sector to partner with government and community residents in revitalization efforts.

Among the private sector partners was a group of Detroit banks and financial intermediaries that later became known as the Empowerment Zone Financial Institutions Consortium (EZFIC). The EZFIC set a ten-year goal of \$1.1 billion in private bank investment in projects and development goals contained in the EZ blueprint.

This ambitious goal promised dramatic expansion over the combined \$30 million of lending and investment in the Detroit Empowerment Zone neighbor-

hoods made by all Consortium members in 1993.

But even such an ambitious goal underestimated the commitment Detroit's financial community was prepared to make. Well before the end of 1998 - a little over four years into the effort - the 10-year goal already had been met. All of the loans have been market rate transactions utilizing standard bank underwriting, and the credit portfolio is considered strong.

Members of the EZFIC include: Comerica Bank, Detroit Local Initiatives Support Corporation, Bank One, First Federal of Michigan, First Independence Bank, National City, Greater Detroit BIDCO, Liberty BIDCO, Michigan National Bank, and Standard Federal Bank. ■

Stay tuned for a full story on the Detroit Consortium and its accomplishments in an upcoming issue of Economic Development News & Views.

Illinois Gets Rural Empowerment Zone Designation

The Alexander, Pulaski and Johnson counties region was recently designated a Rural Empowerment Zone. The region is characterized by a high level of poverty, high unemployment, and continued loss of population.

The U.S. Department of Agriculture has determined that the Rural Development Office in Illi-

nois will administer \$2 million a year for grant programs annually over the next ten years.

The region called Southernmost Illinois Delta Empowerment Zone was one of five Rural Empowerment



Zones selected out of a total of 160 applications from all over the nation. Wally Furrow, State Director for Rural Development in Illinois, feels that the reason

this region was chosen over so many others is because of a

regional approach to rural economic development and overwhelming local support for the initiative. Furrow has appointed Sheldon Keyser as the Empowerment Zone coordinator for Illinois. ■

For additional information contact Sheldon Keyser at 217/398-5412.

Fed Releases a New Video on Women-Owned Businesses

The Federal Reserve is now offering a videotape designed to heighten awareness among lenders about the business opportunities available to them in lending to businesses owned by women.

The new videotape, *To Their Credit: Women-Owned Businesses*,

relays the credit-seeking experiences of new successful women business owners.

Through testimonies and discussions with lenders and women's business organizations, the video stresses how women commercial borrowers should build a relationship with a lender. The video

further emphasizes the need for women to prepare a comprehensive business plan.

In addition, lenders are shown the staying power and profitability that this fast-growing segment of the economy can afford their financial institutions. ■

The videotape is available through FVS Media for a nominal fee. To place an order, call 800/555-5471.

New Partnerships to Increase Lending to Minority Firms



Officials from the U.S. Small Business Administration (SBA), the Chicago Urban League, and the 18th Street Development Corporation (ESDC) have signed separate partnership agreements that are intended to significantly increase lending and business opportunities for African-American, Hispanics, and other minority businesses in the Chicago area.

"The SBA is committed to dramatically increasing its guaranteed lending to minorities," said

Anthony J. McMahon, the SBA's acting Illinois district director.

The SBA, the Chicago Urban League, and the 18th Street Development Corporation will now be able to provide crucial technical assistance and SBA-guaranteed loans to small businesses. Together we will open doors to this new economy wider than before."

"The SBA, the Urban League, and the 18th Street Development Corporation share common goals which include promoting the creation and expansion of business development among minorities in the Chicago metropolitan area," McMahon said.

Under the terms of the various agreements, called Memorandums of Understanding, the Urban League and the Development Corp. in conjunction with the SBA, will hold various "Meet the Lender" forums in communities throughout the greater Chicago area.

The two organizations, working with the SBA, will arrange the events, invite lenders and pro-

mote attendance. In addition, the organizations will identify and recruit financial institutions as corporate partners. They will also negotiate lending commitments for African-American or Hispanic owned businesses.

The SBA will provide training and information to the Urban League and ESDC staffs about SBA financing programs, such as the Women's and Minority Prequalification loan programs, and the SBAExpress, Microloan and ACE-Net programs.

Under the prequalification programs, women and minority business owners can work with the SBA, the Chicago Urban League, and other organizations to obtain help in developing effective business plans and loan application packages. If the SBA then finds the borrower qualified, it issues a prequalification letter indicating that the applicant merits a loan guaranty.

ACE-Net is a nationwide listing of information on small businesses seeking equity capital from "angel" investors. The agency will also promote its other programs

including those dealing with capital access, procurement, international trade, women's business, welfare-to-work and advocacy.

The SBA's Illinois District Office at 500 W. Madison St., Suite 1250, Chicago, includes a computerized, state-of-the-art Business Information Center that is available free to the public. In addition, SBA services include a network of Small Business Development Centers and numerous Service Corps of Retired Executives small business counseling sites. ■

For additional information on any of the Small Business Administration programs, contact the SBA at 800/827-5722, or in:

<i>Illinois</i>	<i>312/353-4528 217/492-4416</i>
<i>Indiana</i>	<i>317/226-7272</i>
<i>Iowa</i>	<i>515/284-4422</i>
<i>Michigan</i>	<i>313/226-6075</i>
<i>Wisconsin</i>	<i>608/264-5261 414/297-3941</i>

www.frbchi.org

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The Federal Reserve Bank of Chicago's web site offers a wide variety of timely and unique information, including:

- Economic Data and Research
- Banking Data
- Educational Resources
- Publications
- Community and Economic Development Initiatives
- Economic Development News & Views
- Community Reinvestment Act Information
- Consumer & Community Information

The Federal Reserve Bank of Chicago is one of 12 regional Reserve Banks that, together with the Board of Governors in Washington, D.C., serve as the nation's central bank, the Federal Reserve System.

The role of the Federal Reserve System is to foster a strong economy and a stable financial system.

The Chicago Reserve Bank:

- participates in formulating national monetary policy,
- supervises and regulates banks and bank holding companies, and
- provides financial services to banks and the U.S. government.

Employees: 2,096

Assets: \$50.9 billion (as of 12/31/98)

Depository Institutions in 7G District: 3,576

Banks and bank holding companies supervised: 1,336

Financial services volumes (1998):

- Checks processed — \$1.5 trillion
- Automated Clearinghouse transfers — \$2.5 trillion
- Wire transfers — \$46.8 trillion
- Currency received and counted — \$39.4 billion
- Unfit currency destroyed — \$6.6 billion

From Our Research Department

Labor Market conditions in the Seventh District

The Federal Reserve Bank of Chicago serves the Seventh Federal Reserve District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin. At the present time, there are 43 Metropolitan Statistical Areas (MSAs) in the Seventh District. The geographic boundaries of MSAs are defined by the U.S. Office of Management and Budget (OMB) as economic areas encompassing communities that are tightly linked by a flow of commuters, migrants, goods and services, and payments.

Unemployment rates are useful indicators of the labor market conditions in local areas. The unemployment rate is defined as the percentage of adults in the work force who are not currently employed but are actively seeking employment. Importantly, the unemployment rate, does not include workers who are not actively looking for work. This means that workers who have given up looking for work are not counted as unemployed.

Unemployment rates for Seventh District MSAs are derived from data provided by the United States Department of Labor (USDL). Using definitions and guidelines established by the USDL to ensure consistency across state lines, state agencies calculate MSA unemployment rates on the basis of a monthly payroll survey and unemployment insurance records. The rates used here have been adjusted to account for normal seasonal variations.

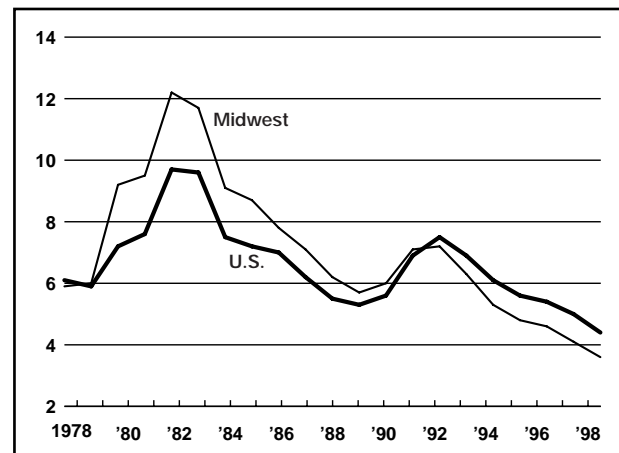
Currently, labor markets in the Seventh District are much tighter than the nation as a whole. In sharp contrast to the 1980s, the region's unemployment rate has been running below the national average since 1992. While good news for the region's workers, whose wages and salaries are growing faster, the very low levels of unemployment are making it difficult for employers to find quality help. Broad-based labor shortages, across both industry and occupational categories, have contributed greatly to the District's slowing employment

tion trends, employers can expect little relief from tight labor markets in the near term.

Labor Market Highlights

The seasonally adjusted unemployment rate for Seventh District states averaged 3.6 percent in January, well below the national average of 4.3 percent. While slightly above the historically low rates attained in April and May of last year, the region's average is still 0.3 percent below January 1998 levels.

Midwest Unemployment Rate



growth in the last few years. Earlier in this decade, a strong rebound in our manufacturing industries, as well as robustness in construction and services, led to employment growth in the region that outpaced that of the nation. As labor markets in the region tightened more dramatically in the mid-1990s, the national rate of employment growth caught up to, and has since surpassed, the region's. With few signs of any softening in the Seventh District economy, and relatively unfavorable migra-

All five District states had unemployment rates below the national average in January. Illinois had the highest rate of the five states, at 4.0 percent, while Iowa had the lowest, at 2.9 percent. In addition, only Wisconsin's unemployment rate failed to show further tightening from the same period last year.

Of the metropolitan areas, nearly 90 percent of the District's 43 Metropolitan Statistical Areas (MSAs) had unemployment rates below the national average in

December. Rates range from a low of 1.6 percent in Madison, Wisconsin to a high of 5.5 percent in Kankakee, Illinois. All five of the region's major metropolitan regions had unemployment rates below the national average, with Des Moines having the lowest rate (1.9 percent) followed by Indianapolis (2.5 percent), Detroit (3.3 percent), Milwaukee (3.6 percent), and Chicago (4.1 percent).

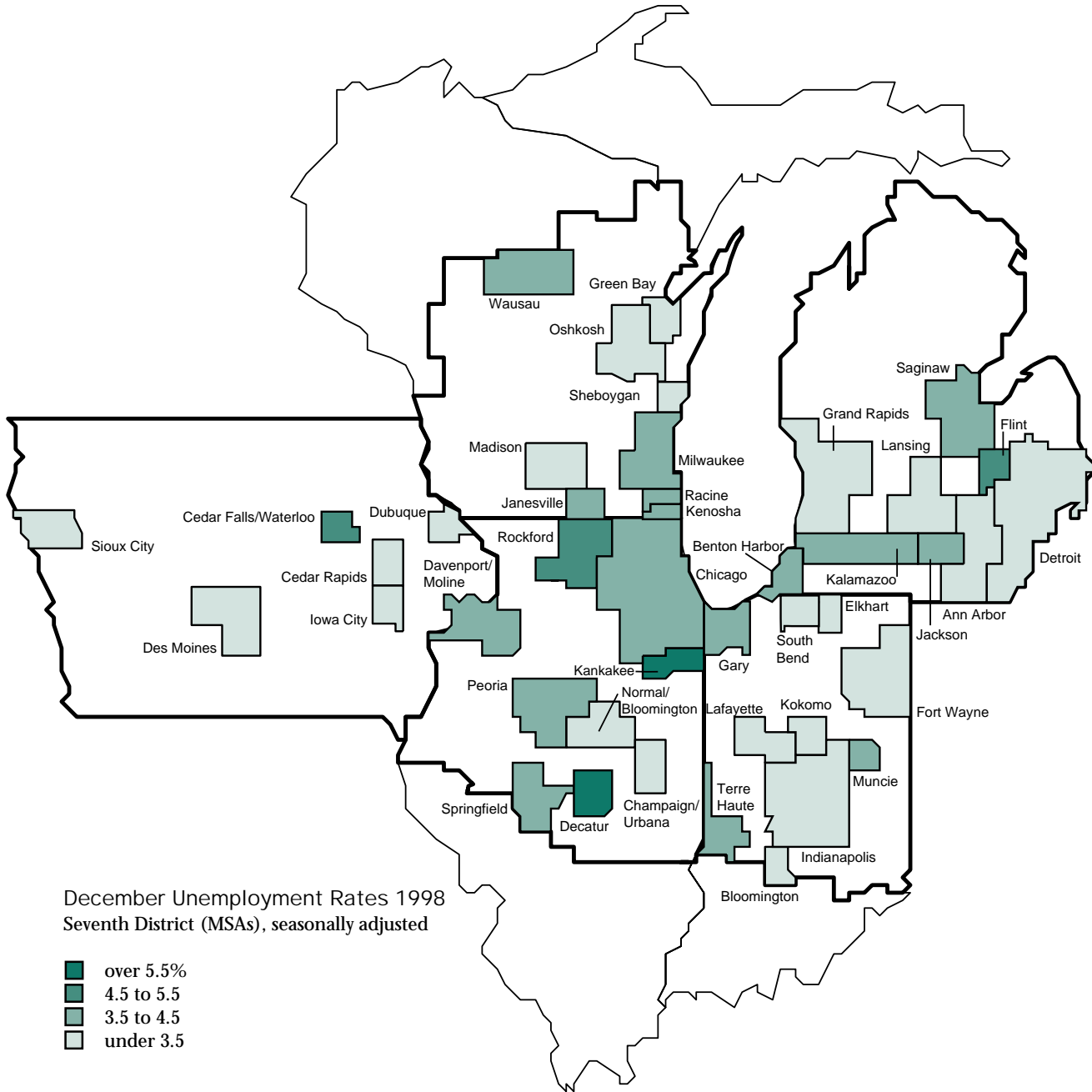
Employers throughout the Seventh District continued to report difficulty finding workers as 1998 drew to a close. Information technology workers and skilled craftsman were most often cited as being in short supply. Retailers had more difficulty than in recent years finding holiday help and were retaining more of the workers they could find after the holidays had passed.

Despite the very tight labor markets, general wage pressures remain subdued with most gains coming at the lower end of the pay scale and in occupations (such as information technology) where severe shortages persist. ■

Richard E. Kaglic
Economist

Seventh District Labor Markets

Unemployment conditions for December 1998



NOTE: All rates are subject to revision.

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