



PRESS RELEASE

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SBA Moves to Risk-Based Lender Oversight

WASHINGTON – The U.S. Small Business Administration is implementing a risk-based approach to overseeing individual lenders that includes an early warning predictive score component and a more comprehensive lender review process.

“With these tools, the SBA will be in a better position to identify and manage risk in our loan portfolio,” said SBA Administrator Hector V. Barreto. “The more efficient, streamlined monitoring of our lenders will result in significant benefits for them and for the agency alike. It also furthers the Administration’s push to leverage technology into the agency’s programs.”

Last spring, the SBA hired Dun & Bradstreet and Fair Isaac, two industry leaders in the fields of risk management, to provide loan and lender monitoring service for the agency. The system was recently delivered by Dun & Bradstreet to the SBA, and provides the agency with the ability to assess the performance of individual lenders and evaluate the overall performance of the SBA’s 7(a) and 504 loan portfolios.

At the heart of the services provided is the Dun & Bradstreet/Fair Isaac Small Business Predictive Score. The entire SBA loan portfolio is credit scored for portfolio management purposes – not for credit decisions – on a quarterly basis. Once scored, the SBA analyzes the portfolio to quantify loan and lender performance and to proactively track relevant trends.

The benefits of the new oversight tool are:

- Risk ranking of all SBA lenders;
- Effective off-site monitoring of credit and performance trends of SBA lenders;
- Frequency and scope of lender reviews tied to risk profile of lenders;
- Lender and portfolio benchmarking and peer comparisons; and
- Utilization of industry best practices as part of lender oversight methodologies.

The SBA Office of Lender Oversight is implementing the loan and lender monitoring system agencywide, and will issue further guidance for lenders on the impact of this risk-based oversight in the near future.

For more information about all of the SBA’s programs for small businesses, call the SBA Answer Desk at 1-800 U ASK SBA or TDD 704-344-6640, or visit the SBA’s extensive Web site at <http://www.sba.gov> in English, or www.negocios.gov in Spanish.

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