

News Release

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SBA LOAN PROGRAM REFORM INITIATIVE UNVEILED

New processes and products to make agency more customer-friendly and results-driven

WASHINGTON – The U.S. Small Business Administration is rolling out several major reforms to make its loan programs more effective and its products easier to use.

As part of Administrator Steve Preston's agenda to make SBA more goal-oriented and accountable to customers, the agency sought extensive feedback from its district offices and lending partners on ways to improve services. The result is a loan reform initiative that will increase SBA's outreach to clients in underserved markets, enhance its relationship with lending partners and strengthen its ability to help small businesses start and grow. Components of the Loan Program Reform Initiative include:

New Standard Operating Procedure (SOP)

SBA has created a new, more lender-friendly SOP that is notably shorter and better organized. The document is in the agency clearance process, and a final product is targeted for early spring. The agency intends to make it accessible electronically supported by search tools and to use it as a model moving forward with related SOPs.

Streamlined Tab System

SBA's tab system helps lenders organize their loan purchase packages by breaking down the sets of documents necessary into 45 sections. SBA is introducing a new 10-tab system for submitting purchase guaranties as an alternative to the present 45-tab format. While the 45-tab system may be used, the 10-tab system offers a reduced number of documented categories and a more intuitive flow, which should help improve package quality.

45-Day Pledge

Today, most loan purchase packages received by the SBA from lenders are incomplete and require considerable rework, causing extensive delays. SBA is offering lenders a major incentive to work with its staff to speed the loan process and eliminate errors. Every lender that submits a new, complete loan package using the 10-tab format to its National Guaranty Purchase Center in Herndon after November 1 will be informed in 45 days or less whether it will be purchased, or is likely to end in a repair or denial.

Hundreds of SBA field staffers have been trained to assist lenders in the process. Lenders who are unsure how to submit a package are encouraged to call their local SBA office for assistance

before sending it to Herndon. And in Herndon, SBA created a customer service center to help determine the status of a package and resolve simple questions about the guaranty process.

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New, improved products and services

Recently, SBA unveiled Rural Lender Advantage, a simpler loan approval process designed to spur economic growth in America's rural communities. Part of the agency's popular 7(a) loan program, Rural Lender Advantage encourages smaller, rural lenders to partner with SBA by requiring less paperwork, offering services online, and providing greater lender support. It will soon begin in six states, but the agency expects to expand it nationwide.

The agency also intends to modify its Community Express loan program so that it is simpler for lenders and borrowers to use and focused more on underserved markets. This program, which has the highest minority participation of any SBA lending product, involves a cooperative effort between SBA lenders and development resource partners to focus the agency's financial and technical assistance on distressed communities.

Finally, this summer SBA announced the new Patriot Express Pilot Loan as the latest extension to the financial, procurement, and technical assistance programs the agency provides to the military community. Patriot Express is a streamlined loan product based on SBA's highly successful SBA Express Program, but with enhanced guarantee and interest rate characteristics. The agency continues to encourage lenders to participate in this exciting new service to help America's patriots start and grow businesses.

Loan processing modernization and backlog reduction

Today, SBA processes more than 100,000 loans a year, which is twice as many as it processed five years ago. Of the more than 300,000 SBA-backed loans outstanding, 1,200 are backlogged guarantee purchases that have been submitted to its National Guaranty Purchase Center. The agency is standardizing its review process, reengineering its processing centers, and bolstering its training centrally and in the field to eliminate the backlog and develop systems to prevent it from recurring, just as it did with its backlogged disaster program.

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