SBA Lender Compliance

Facilitated by:

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SBA Form 750 Agreements

What you need to do before you can make a SBA 7a loan…

- 1) Apply to SBA (via the District Office) via a written request and, upon approval;
- 2) Execute SBA Form 750, or 750B for Express loans;

- SBA Form 750 is the governing agreement between a Lender and the SBA. This agreement includes details regarding application and approval of guaranteed loans, closing and disbursement requirements, reporting requirements, administration requirements, and guaranty purchase requirements.

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Standard Operating Procedures…

SBA Form 750 does not, however, provide specific details on each topic.

- SBA 7a Program requirement are instead detailed in one of two Standard Operating Procedures (aka SOP's).
- SOP 50 10, aka Lender and Certified Development Company Loan Programs, is the SOP that provides specific details on 1) becoming a SBA Lender, 2) program requirements and eligibility, 3) loan terms and conditions, 4) credit and underwriting, 5) the Loan Authorization; 6) loan closing and disbursement; and 7) general reporting and secondary market requirements.

Standard Operating Procedures…

- SOP 50 57, aka 7a Loan Servicing and Liquidation, is the SOP that provides specific information on all things post disbursement including 1) lender authority and decision making, 2) loan payment administration, 3) loan modifications, 4) loan monitoring, 5) loan liquidation, 6) loan workouts, 7) loan guaranty purchase, and 8) loan charge-off.

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Loan Authorization

The SBA Loan Authorization, along with the SOP requirements, further detail what is required by the Borrower and Lender on each specific loan supported by a SBA Guaranty.

- The SBA Loan Authorization must include the specific terms and conditions of each individual loan.
- Depending on the processing method the SBA Loan Authorization will be produced by either the SBA (non-delegated) or the Lender (delegated).
- Failure to meet the terms of the SBA Loan Authorization may result in a repair or denial of SBA Guaranty at the time of the request for repurchase.

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Authority to make SBA 504 Loans

SBA Lender Agreements/Authority to make SBA 504 Loans

- A Lender DOES NOT have to execute a SBA Form 750 to be able to partner with a CDC and the SBA on a SBA 504 loan
- A Lender DOES need to structure a deal with terms and conditions that meet the requirements of the SBA 504 program.
- A Lender DOES need to execute an Intercreditor Agreement with the SBA (aka the Third Party Lender Agreement)

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Lender Delegations

- A Lender may be appointed additional delegations by the SBA once they become a more experienced 7a loan program participant.
- Delegations, such as Preferred Lender Participation, aka PLP, allow a Lender to originate, approve and service loans with minimal SBA supervision or approval.
- All SBA loans, regardless of a lenders delegation, must meet SBA loan program requirements detailed in the SBA Form 750 and SOP 50 10 and 50 57.
- Other delegations may include SBA Express, Export Express, etc. may also be issued by the SBA to participating Lenders

Loan Policies

Credit Policies, Loan Administration Polices, etc.

- In addition to your institutions traditional credit policy and loan administration polices, as applicable, SBA requires a lender to either incorporate or supplement those policies with SBA Government Guaranteed Lending policies.
- SBA sites having well thought out and comprehensive policies and procedures as a main attribute of a successful SBA Lender.

Lender Oversight

The SBA's Office of Credit Risk Management ("OCRM") is responsible for Lender Oversight

- The three primary objectives of the OCRM is to 1) monitor the performance of the SBA portfolio, 2) monitor lender performance, and 3) enforce loan program requirements.
- Accomplished through a variety of platforms including 1) Capital Access Financial Systems (aka "CAFS" & "ETRAN"); 2) the Lender Portal, and 3) Reviews and Examinations

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Lender Oversight

The SBA's Office of Credit Risk Management ("OCRM") is responsible for Lender Oversight

- For SBA 7a Lenders, OCRM has developed score and risk relationship metrics represented in an overall PARRiS Score
- P – Performance
- A – Asset Management
- R - Regulatory Compliance
- R – Risk Management
- S – Special Items
- This score is what is represented on the Lender Portal

Lender Oversight

The SBA's Office of Credit Risk Management ("OCRM") is responsible for Lender Oversight

- This score, along with the total outstanding dollars lent, is what is also what drives the level of review or examination by OCRM
- A Desktop Risk Based Review is a review of the CAFS system and Portal only
- A PARRiS Analytical Review or a PARRiS Targeted Review will generally look deeper into the Lender's Documents, Procedures, Policies and will generally include a small sampling of loans to ensure procedures and policies are being followed on a loan level basis (may be conducted off site or on site)
- A PARRiS Full Scope Review will include an on-site visit from the OCRM, and a larger sampling of loans

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Attributes of a successful SBA Lender

- Knowledgeable and Dedicated Management & Staff
- Succession Plan
- Well Thought Out and Comprehensive Policies and Procedures
- Internal Controls
- Leverages Relationships
- Periodic Reviews and Audits
- Seeks out Relevant Training Opportunities
- Leverages Software
- Is Involved
- Strives to Improve the Programs

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