

There Has Never Been a Better Time to Be an SBA Lender

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Over the last year, since coming to the SBA, I have had the chance to travel the country and meet with a good number of our lending partners. These partnerships with more than 5,000 lenders across the country, including many of you, have been critical in turning around SBA lending in the wake of the recession, and we are grateful for these collaborations that have meant so much to small businesses all across America.

To build on this success, we have made it a top priority to increase points of access for small business owners who need capital. One way we will do that is continuing to work with all of you who are our existing lending partners to strengthen our products and processes, and make our collaboration even better. Additionally, it means reaching out to more of you on the benefits of becoming an SBA lender for both your bank and your customers.

With that in mind, I am grateful for this partnership with ABA and the opportunity to discuss with you, through columns over the next several months, the ins-and-outs of SBA lending — everything from the policies impacting our lending programs to the “how to” of becoming an SBA lender and the process for things like acting on our guarantee.

As you know, small businesses rely on credit much more than larger businesses do, and the SBA partners with banks and lenders throughout the country to provide these small businesses with much-needed capital. If a small business is unable to get credit elsewhere, the SBA will help by offering a partial guarantee on their loan. SBA lending is a winning proposition for lenders, small businesses and our nation’s economy. As a lender, using SBA products can help you support small businesses you could not otherwise help, as well as provide much-needed liquidity, help you meet your Community Reinvestment Act goals and help your banks’ conversion rate.

It is no secret that small businesses are still having a hard time finding credit, which is why SBA loan programs are even more vital. Through our Recovery loan programs, we have been able to increase our guarantees on most 7(a) loans to 90 percent and reduce or eliminate certain fees on 7(a) and 504 loans. As a result, while businesses are still struggling for access to conventional loans, SBA lending is up and lenders like you are returning to our programs. Our average weekly loan volumes have nearly doubled since the depths of the credit crunch, and over the past year, more than 1,100 lenders who had not made an SBA loan since 2007 have returned to SBA lending.

And here is the headline: SBA and its lending partners have put more than \$26 billion in the hands of small businesses who are using it to grow our economy and create jobs.

So, why should you partner with SBA? And if you are already a partner, why should you become more active?

SBA lending has a number of benefits to banks.

- **Our guarantees help mitigate risk.** There is very little downside to SBA lending because SBA’s Recovery loans carry up to a 90 percent guarantee — protecting you if the business defaults. Our programs are flexible and allow for different interest rate and term structures. They are easy to use and most businesses qualify.
- **Our guarantee frees banks up to make more loans.** The guaranteed portion of SBA loans has a reduced capital requirement, allowing you to stretch your available capital and freeing you up to make even more loans.
- **Lenders can gain liquidity by selling SBA’s guaranteed portion on the secondary market.** The secondary market for SBA loans continues to thrive. These markets have fully recovered

from impacts of the economic disruptions, and both ongoing volume and premiums are back at historic levels. That is good news for banks looking to use SBA loans to improve liquidity.

- **SBA loans can help with your Community Reinvestment Act Strategy.** Our products offer flexible terms that can be used to meet the needs of borrowers in underserved markets. In addition, banks can meet CRA objectives by investing in mission-oriented lenders, like microlenders, Certified Development Companies and CDFIs that deliver SBA programs and further extend capital availability in underserved communities.

It is clear that SBA lending carries many benefits. If your bank is not making SBA loans yet, there has never been a better time to start.

- **We have made it easier than ever to sign up.** We decentralized the sign-up process to our 68 field offices. There is at least one in every state. This way, you can talk to someone from SBA locally who can walk you through the process quickly and help train your staff on how to do SBA loans.
- **We are honoring our guarantees in a timely and predictable way.** Our processes have improved and today we honor over 95 percent of requested guaranteed purchase dollars. And, we are fulfilling our promise to you by having reduced the average time to process purchase packages from more than 270 days to less than 45 days after we receive a completed package.
- **We are continuing to streamline and simplify.** A few years ago, we streamlined our guarantee purchase requirements into a clear 10-tab system. And, SBA continues to reach out to lenders to discuss ways to make our programs and our process even more user-friendly.

As we move forward, SBA is committed to expanding our network of lenders. Our programs are important lifelines, especially in tough times, and small businesses everywhere should have ready access to them. That means working with lenders of all shapes and sizes, from the smallest community banks to the largest financial institutions. We have delegated programs to help lenders with large SBA portfolios, and streamlined SBA approval programs for smaller volume lenders to help keep their time and costs down.

I hope you will think about partnering with the SBA, and if your bank is already an SBA lender, we want to know how we can make our working relationship stronger and as a result help increase your SBA loan volume. This partnership works for the SBA, it works for an increasing number of banks and, it is working for entrepreneurs and small business owners. My commitment is that we are working harder every day to be the best partner we can be.