

Becoming an SBA Lender and Making that First Loan

In my last column, I discussed some of the advantages of becoming an SBA lender and how we make it easier to take your lending to the next level. But what if your bank is not an SBA lender yet? And what about making that first loan?

The first thing you should know is that SBA lenders come in all shapes and sizes. We have small community banks that only make a few SBA loans a year. We have large lenders with extensive expertise on SBA loans that take advantage of our delegated lending products, like the Preferred Lenders Program. And we have everything in between.

All it takes to become an SBA lender is a visit to your District Office (find yours at www.sba.gov/localresources) to sign a **two-page form called a “750” agreement**. (In fact, it might be even easier than that. Many banks are already enrolled SBA lenders, even if they haven’t made an SBA loan in years.) Any bank is eligible to make SBA loans, as long as it is in good standing with its regulator. Eligible banks can be state-chartered, or governed by the FDIC, the Fed, OCC, OTS, or any other federal regulator.

After signing and submitting the 750 agreement to your District Office, ask the staff for some basic training in how to make an SBA loan. Our staff members are there to help every step of the way: from understanding the eligibility criteria, loan origination, packaging and servicing, to, when necessary, receiving the purchase package for a guaranty.

Our **7(a) loan program** is our largest, most flexible, and most popular loan program. As I mentioned in my last column, 7(a) loans carry a guaranty percentage of anywhere between 50 and 85 percent, and the loans can be used for a number of purposes, such as working capital, equipment purchasing, renovations, real estate and, in some cases, debt refinancing.

Most of the documentation required for a 7(a) loan is similar to what’s required for a conventional loan. A simple questionnaire walks you through the eligibility requirements with a series of true/false questions. The **7(a) submission checklist**, available at www.sba.gov/banking, helps you provide proper and complete documentation. Finally, our lending guidelines can be found in our **Standard Operating Procedures**, which are available on our website and at your District Office. District staff can answer any questions you have regarding your business applicant’s eligibility or any documentation requirements.

Once you have everything together, and you’ve double-checked for completeness and signatures (our submission checklist is a helpful tool for this), simply send your package to our **Loan Guaranty Processing Center**. You can submit loan applications to our loan processing center by mail, via fax, or as an attachment to an email. Completed applications are routinely processed within **3 to 5 business days**.

When beginning as an SBA lender, many banks choose to start small, and that’s fine with us. In fact, lenders making an average of 20 or fewer SBA loans a year can take advantage of our **Small/Rural Lender Advantage** program, which streamlines the process by offering reduced paperwork and a

shortened application. These loans up to \$150,000 carry an 85 percent guarantee, and loans between \$150,000 and \$350,000 carry a 75 percent guarantee.

In addition, if you want to take advantage of SBA products but are worried about having enough expertise and manpower, rest assured that there is a large community of SBA lenders, experienced loan officers, and supporting industries. In many cases, you can find an **outside service provider** to package and service the loan—all you need to do is find a borrower and provide the capital.

I should mention that we're doing everything we can to make this process as efficient as possible both for you and your borrowers. In fact, I've formed a **Simplicity Task Force** to come up with more improvements and ways of simplifying our processes. If you have ideas on how to make things easier, please get in touch with your local District Office.

And, as your bank continues to make SBA loans, you can track your performance, including your current risk rating and peer and portfolio averages, through our **Lender Portal**. The Lender Portal is one component of SBA's Loan and Lender Monitoring System. It's the primary way that SBA communicates lender performance information within the agency and with our lenders. We look at information such as loan approvals, performance data, and credit scores, and every quarter we calculate a Lender Risk Rating. The portal is a helpful way for you to monitor your bank's lending and stay in contact with the SBA.

As I've mentioned before, SBA loans are an excellent way to attract and retain customers. I encourage you to sign up and join the nearly 3,000 lenders who've made SBA loans this Fiscal Year. Starting—or re-starting—your partnership with the SBA is easier than ever before. My hope is that you'll find our staff, our products, and our processes to be as helpful as possible as you work to strengthen and increase lending to your local small business community.