

Top Five Myths about the SBA

Since becoming SBA Administrator, I've had the chance to travel the country, meeting the entrepreneurs, small business owners and lenders that drive our economy. Wherever I go, I talk about how the SBA provides access to capital for small businesses, and how we've worked to make the SBA loan processes simpler and more straightforward for lenders and borrowers. However, I sometimes still hear stories and myths from some lenders about SBA loans. In response, I encourage them to sit down with our staff and take a second look. On nearly every occasion, they realize that many problems have been fixed and our processes have improved.

The truth is that over the past few years, SBA has worked hard to speed up our processing times, reduce our paperwork requirements, and generally make it easier for you provide your small business customers the capital they need. Many of the myths and rumors about the SBA are rooted in previous bad experiences that just don't hold true today. While in the past, the agency has struggled with slow processes and onerous requirements, much has changed. We're investing in our people and our technology to create an SBA that is efficient, responsive, and high performing—and it couldn't come at a better time. As we recover from the worst economic downturn since the Great Depression, the SBA is supporting tens of thousands of small businesses who are growing the economy and creating jobs.

Still concerned about becoming an SBA lender? Here are the five most common myths about the SBA, with five reasons why now is the right time to partner with the SBA.

Myth: SBA's paperwork is overly burdensome.

Fact: At the SBA, we are committed to easing the paperwork burden on our lenders and borrowers. We do need certain types of information in order to provide a guarantee, but in many cases our loans require little more paperwork than a conventional loan.

We have a questionnaire that walks you through our eligibility requirements with a series of true/false questions. We've created a checklist (available at www.sba.gov/banking), that helps you make sure you have the proper and complete documentation. You can submit loan applications electronically through our ETran system or, if you prefer, you can send them by mail, via fax, or as an attachment to an email.

Myth #2: SBA is slow to act on its guarantee.

Fact: The partial government guarantee on SBA loans makes them attractive to lenders and borrowers alike, and we honor our guarantees in a timely and predictable way. We have streamlined our processes for acting on our guarantee. The old 45-tab guarantee purchase system is down to a 10-tab system. Moreover, SBA honors over 95 percent of requested guaranteed purchase dollars—and we do it in record time. We've cleared out the backlog and reduced the average time to process purchase packages from several months to less than 30 days, and we're working to drive it down even further.

Myth #3: SBA has poor customer service.

Fact: At SBA, we take customer service very seriously. The staff at our 68 district offices is there to help walk you through our programs and processing systems. They will coordinate with our processing centers regarding the status of a particular loan, questions you might have, or important next steps. This year, we brought together our field and servicing center staff to come up with ways to better provide you and your staff with tools, training, and customer service, so that you can get your questions answered and put more capital in the hands of small businesses. In addition, we're rolling out a new website in a few months that will include a new lender portal with better search and navigation, along with more information to make it easier than ever to find what you need.

Myth #4: Our loan fees and interest rates make SBA loans too expensive for borrowers.

Fact: At SBA, we pride ourselves on being good stewards of taxpayer money. Our guarantee fees—typically 2-3.5% of the guaranteed portion of an SBA loan—allow our loan programs to operate at an efficient cost for taxpayers. At the same time, we've seen that fees are not typically a barrier to borrowers in the long run as they can be financed over the term of the loan.

Meanwhile, SBA loans have flexible interest rate policies. Loans can be made at fixed or floating rates, and pegged to a Prime, LIBOR or SBA peg rate. Our policies spell out caps for interest rate spreads above these base rates, which are adjusted for the size and maturity term of the loan. SBA interest rates are competitive with other forms of financing, and provide a greater value for small businesses than credit cards, factoring, and other alternative financing mechanisms that small businesses often use when they can't access conventional credit.

Myth #5: SBA takes too long to process loan applications.

Fact: SBA has made great strides in streamlining our systems and reducing our processing times. Complete loan applications are routinely processed by SBA within 3-to-5 business days. Our delegated authority programs, such as the Preferred Lender Program, and our SBA Express program, decrease that time even further. Express loans and PLP loans can be approved by the lender on the spot.

I want to assure you that we have been listening to your concerns. We are working hard to be a high-performing government agency and overcome the stereotypes and misconceptions people have about government programs. While we still have room for improvement, we have a growing list of improvements we've made. We're doing everything we can to make the SBA lending process as transparent and efficient as possible both for you and your borrowers—I even formed a **Simplification Task Force** to come up with more ways we can better serve you through product and process improvements.

Don't forget that we have 68 district offices with specialists on hand to guide you through the process and answer your questions. I'm confident that if you start making SBA loans today, you'll find an agency that is responsive, efficient, and a worthy partner to put capital in the hands of small businesses across the country.