

# Agenda

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John Miller – Welcome, Loan Activity

William Manger – New Associate Administrator

Linda Rusche- PARRiS Updates

Dianna Seaborn – OFA Updates

Manuel “Manny” Hidalgo – OEO Updates

Susan Streich – OFPO Updates with Greg Prichard, Acting Director, LGPC

Stephen Kucharski- SBAONE Updates



# Office of Capital Access

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John A. Miller, Deputy Associate Administrator



# Office of Capital Access

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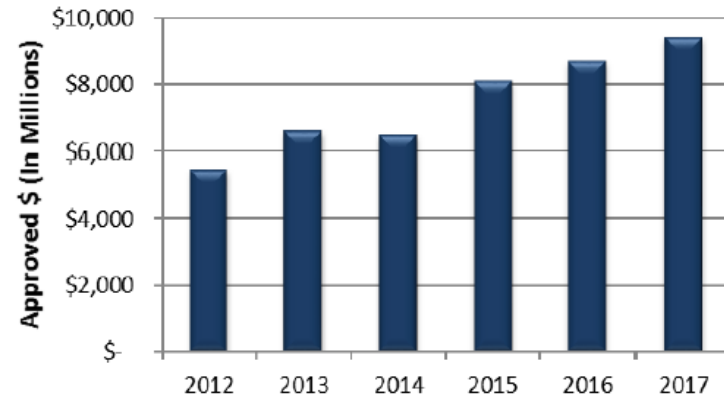
William Manger, Associate Administrator



# Year to Date 7(a) and 504

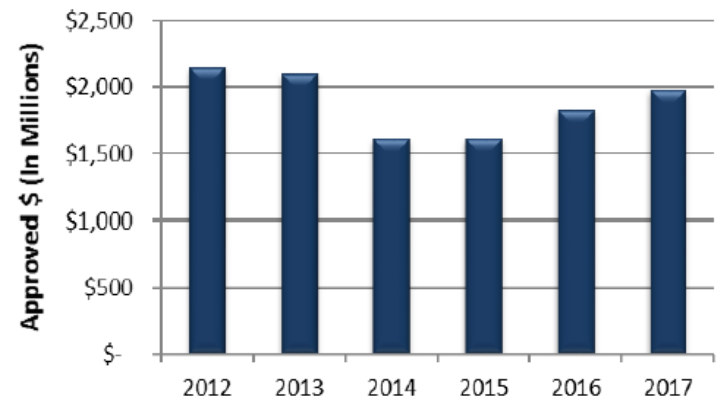
## 7(a) Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2017	22,609	\$ 9,427,224,500
2016	23,977	\$ 8,717,031,000
2015	22,417	\$ 8,123,192,600
2014	17,754	\$ 6,506,035,700
2013	17,486	\$ 6,609,427,700
2012	16,856	\$ 5,481,647,500



## 504 Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2017	2,486	\$ 1,982,750,000
2016	2,250	\$ 1,834,740,000
2015	2,263	\$ 1,613,135,000
2014	2,272	\$ 1,620,991,000
2013	3,141	\$ 2,106,454,000
2012	3,209	\$ 2,150,420,000



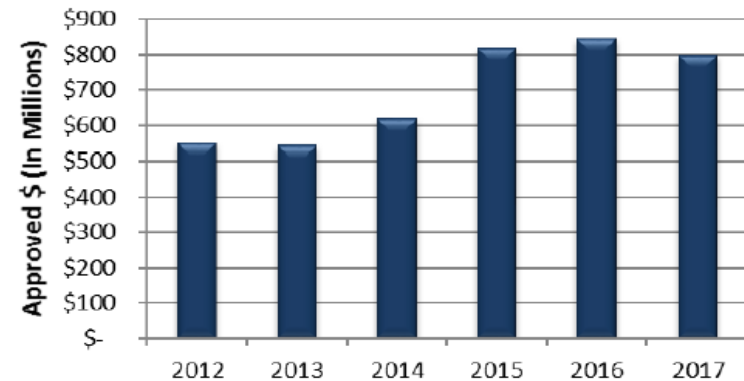
as of 2/28/17

# Year to Date – 7(a) Small Dollar Loans

## Up to \$150k Lending Activity

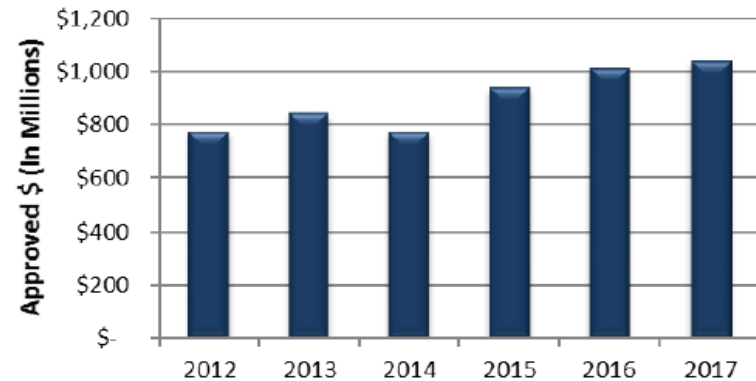
Fiscal Year	Approved Loans	Approved Dollars
2017	12,540	\$ 798,858,500
2016	14,470	\$ 845,600,900
2015	13,453	\$ 818,964,800
2014	10,327	\$ 618,095,500
2013	9,488	\$ 543,088,000
2012	9,973	\$ 551,448,500

- Borrower fee relief for FY 2017 stands at \$9.0 M.



## \$150k to \$350k Lending Activity

Fiscal Year	Approved Loans	Approved Dollars
2017	3,933	\$ 1,037,211,600
2016	3,807	\$ 1,007,697,500
2015	3,627	\$ 936,681,400
2014	2,996	\$ 771,355,500
2013	3,333	\$ 840,518,300
2012	3,075	\$ 770,560,300



as of 2/28/17

# Office of Capital Access

## Functional Roles & Responsibilities

as of March 2017

Vacant  
Senior Advisor

William M. Manger  
Associate Administrator  
Office of Capital Access (OCA)

David Chiokadze  
Special Advisor

John Miller  
Deputy Associate Administrator, OCA

### Financial Assistance (OFA)

Dianna Seaborn,  
Director

- Regulation Development for Business Loan Programs
- Develops and implements policy for 7(a) and 504 programs
- Policies Clarifications and Exceptions
- Conduct monthly 504 Debenture Sales
- Bank Mergers/Assets Transfers
- Entrants, capitalization, and license transfers for Non Federally Regulated Lenders (NFRL) & Small Business Lending Company (SBLC) Transfers
- Design and promote external investment through Secondary Market Management
- SOP 50 10

### Economic Opportunity (OEO)

Manuel "Manny" Hidalgo,  
Director

- Underserved/Emerging Markets
- Mission-based lending
- Develops and implements policy for Microloan, Community Advantage (CA), Intermediary Lending program (ILP) and PRIME Program
- Community Advantage (Participant Guide)
- CDC, CDFI and Intermediary Outreach
- Technical Assistance
- Grant Administration
- Program Management
- Managing \$350M worth of loans to over 140 Non-Profit lenders nation-wide
- SOP 52 00
- CA Participant Guide 4.0

### Financial Program Operations (OFPO)

Susan Streich,  
Director

- Loan Processing, Servicing and Resolution Centers including:
- Loan Guaranty & Processing Center (LGPC, Citrus Heights), Sacramento Loan Processing Center (SLPC, Citrus Heights), Commercial Loan Servicing Centers (CLSC, Little Rock & Fresno), National Guaranty Purchase Center (NGPC, Herndon), Disaster Servicing Centers (El Paso and Birmingham) and Disaster Resolution Center (DSRC, Santa Ana)
- Portfolio Management
- SOP 50 55
- SOP 50 57
- SOP 50 52

### Performance & Systems Management (OPSM)

Stephen Kucharski,  
Director

- Performs analytics and reporting of loan data for Congressional, OIG, and FOIA requests
- Develops and maintains: SBAONE, ETRAN, Capital Access Financial System (CAFS), Loan & Lender Monitoring System (LLMS), Central Servicing Agents (CSA)
- LINC
- Fiscal Transfer Agent for 1502 Colson reporting

### Credit Risk Management (OCRM)

Linda Rusche,  
Director

- PARRiS & SMART Analysis Methodology
- Develops and implements Lender Oversight
- Builds and maintains partnerships with Federal and State Regulatory agencies.
- Issues SBA enforcement and monitoring actions
- Conducts Lender Reviews
- Conducts delegated Authority Nominations
- Conducts delegated Authority Renewals and Reinstatements
- SOP 50 53
- SOP 51 00

### Surety Guarantees (OSG)

Peter Gibbs,  
Acting Director

- Develops and implements program policy and procedural guidance for the Surety Bond Guarantee Program
- Promotes strong surety industry and surety agent partnership with SBA
- Executes Prior Approval and Preferred Bond Guarantee Programs
- Guarantees bid, Performance and Payment Bonds issued by surety companies for small businesses
- SOP 50 45
- SOP 50 46

# Office of Credit Risk Management Update

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Linda S. Rusche, Director



# 7(a) PARRiS Review Methodology Reminder

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- One benchmark scorecard is established for all lenders.
- A “20/60/20” rule is used to establish the *higher risk* (+5), *moderate risk* (+3), and *lower risk* (+1) thresholds.
- The “Lower Risk” threshold uses the best 20<sup>th</sup> percentile of recent 7(a) lender performance data.
- The “Higher Risk” threshold is defined with the worst 20<sup>th</sup> percentile of performance data.
- This approach enables SBA to encourage lenders to minimize risky behavior, while still accounting for the post recession environment.



# 7(a) PARRiS Fall 2016 Update and Re-structure

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- ▶ The objective of the 2016Q4 PARRiS update is to increase the usefulness, relevancy, and intuitiveness of the lender risk methodology.
- ▶ The update will encompass these 2 changes:
  1. Re-calibrating the high risk thresholds to better align with 2016 lending environment
    - The higher risk thresholds were originally created based on 2013 lender performance data taking into account the lingering effects of the Great Recession
    - Since that time the performance of the higher risk thresholds have changed. Thus the risk benchmarks have been recalibrated to meet this changing environment.
    - The methodology was also adjusted for the changing composition of the 7(a) portfolio in its entirety, and the lender components within, always accounting for at least 80% of dollars, outstanding, as in 2013 when PARRiS was implemented.
  2. Refining PARRiS to provide more useful and transparent rates
    - The forecasted purchase rate (the percentage basis for the LPR) will replace the lender purchase rating (LPR) to provide more granularity.
    - The five year charge off rate will replace the five year recovery rate to more holistically reflect SBA's loss.

# PARRiS Re-structure

Purple indicates metric creation, and red indicates proposed metric removal



# Office of Financial Assistance

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Dianna Seaborn, Director



# Notices & Contact Information

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## Name Change – Policy Notice Rescinded

## Franchise – updated addendum

[Link to Policy Notice Franchise Review](#)

Email questions to: [FranchiseFY2017@sba.gov](mailto:FranchiseFY2017@sba.gov)

## Central Servicing Agent Change - updates

[Link to Info Notice Central Servicing Agent](#)

Email questions to: [christopher.j.urban@wellsfargo.com](mailto:christopher.j.urban@wellsfargo.com)

## 912's & 1081's

[Link to Procedural Notice for 912s and 1081s](#)

Email questions to: [justine.alston@sba.gov](mailto:justine.alston@sba.gov)

# Interest Rates

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## Changes in Prime Rate since 2008:

Dec 2015 Increase 0.25%

Dec 2016 Increase 0.25%

Mar 2017 Increase 0.25%

## Rules on Variable Interest Rate Loans:

- ▶ SOP 50 10 5 I, Subpart B, Chapter 3, Paragraph (IV)(F)
- ▶ Date of first rate adjustment must be in Note
- ▶ Notes for loans to be sold in Secondary Market will not be accepted without rate adjustment and will be strictly enforced starting May 1<sup>st</sup>.

Map based on Longitude (generated) and Latitude (generated). Color shows details about Mainbank1. Details are shown for Borrowerzip. The data is filtered on Approval Date1 Year and Mainbank ID. The Approval Date1 Year filter keeps 7 of 7 members. The Mainbank ID filter keeps no members.

# Office of Economic Opportunity

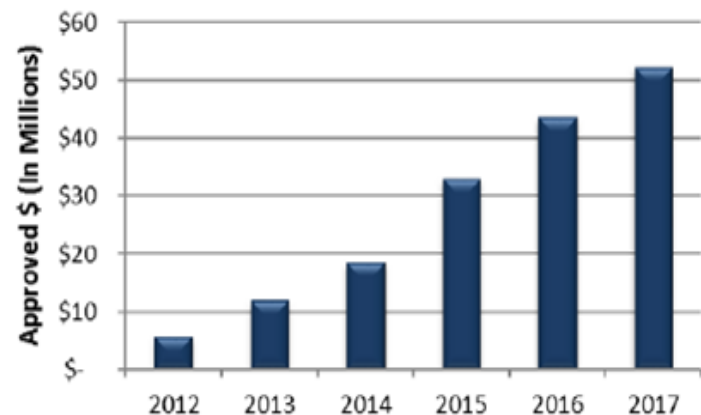
Manny Hidalgo, Director



# Community Advantage

- ▶ 116 Mission Based Lenders (15% growth)
- ▶ Maintains focus on Under-Served/Emerging Market (87%)
- ▶ Default Rate is low (under 4 %)
- ▶ New pipeline for 7(a)
- ▶ Increasing bankability
- ▶ Average Loan size \$127,000
- ▶ Majority SBA Credit Score <180

Fiscal Year	Approved Loans	Approved Dollars
2017	405	\$ 52,088,400
2016	352	\$ 43,661,100
2015	253	\$ 33,007,700
2014	138	\$ 18,545,900
2013	91	\$ 11,863,100
2012	42	\$ 5,668,600



as of 2/28/17

# Office of Financial Program Operations

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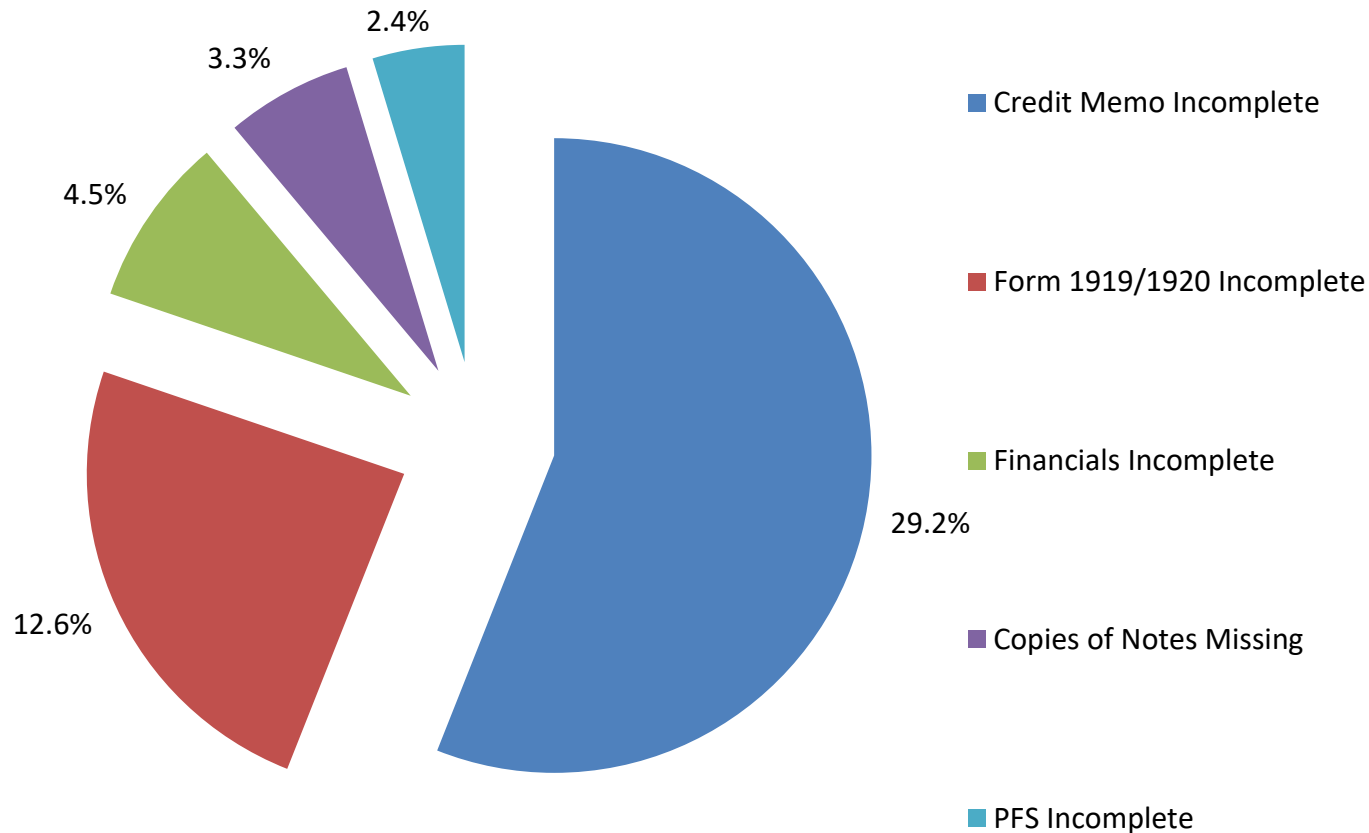
Susan Streich, Director





# Loan Guaranty Processing Center (LGPC)

## Top five SCREEN-OUT categories



These five categories accounted for 52% of the total Screen Outs last year

## #1 reason for screen out...Incomplete Credit Memo

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- ▶ Life Insurance was not addressed
- ▶ Certification that financials were verified against IRS Transcripts was not included
- ▶ Schedule of Collateral was Missing or Incomplete
- ▶ Credit Memo contradicts draft Loan Authorization
- ▶ Use of Proceeds Unclear
- ▶ Note(s) to be refinanced not clearly identified
- ▶ Sufficient justification for refinance not provided
- ▶ Need for Working Capital not addressed
- ▶ Derogatory credit not addressed
- ▶ Collateral Shortfall not addressed
- ▶ Justification for Projections missing



## # 2 reason for screen out...Incomplete 1919 and 1920

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REASON	SOLUTION
<ul style="list-style-type: none"><li>▶ Borrower Application (form 1919) incomplete</li><li>▶ Lender Application (form 1920) incomplete</li></ul>	<ul style="list-style-type: none"><li>▶ <u>Use SBA One</u> for submitting your loans to the Center and you do not need to submit either form -- just document your credit file.</li><li>▶ If <u>not</u> using SBA One make sure that all questions are addressed and that the terms match your credit memo</li></ul>



# Office of Financial Program Operations Turn Time Dashboard

## (as of 3/15/17)

Process		Turn Time (Calendar Days)
Loan Origination		
LGPC	7(a) Small Loans / Community Adv	10
	Other 7(a) - Etran	25
SLPC	504 Origination	3
	Environmental Reviews	3
Servicing Actions		
Little Rock		5
Fresno		7
7(a) Purchase		
NGPC	Brand Promise Purchase	27
	Non-Brand Purchase	49
Little Rock Express & Small 7(a)		29
Fresno Express & Small 7(a)		35

### Office Of Financial Program Operations (OFPO)

- Susan Streich (Director)
- Susan.streich@sba.gov

#### 7(a) Loan Guaranty Processing Center (LGPC)

- Greg Prichard (Acting Director)
- Gregory.prichard@sba.gov

#### 504 Sacramento Loan Processing Center (SLPC)

- Hien Nguyen (Director)
- Hien.nguyen@sba.gov

#### Little Rock Commercial Loan Servicing Center

- Nique Carrington (Director)
- Charla.Carrington@sba.gov

#### Fresno Commercial Loan Servicing Center

- Joel Stiner (Director)
- Joel.Stiner@sba.gov

#### Herndon National Guaranty Purchase Center (NGPC)

- Vanessa Piccioni (Director)
- Vanessa.piccioni@sba.gov

\* Turn times measure total days from receipt of application/request to Lender/CDC notification of SBA decision, including Lender/CDC response time for additional information

# Office of Performance Management Systems

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Stephen Kucharski, Director



# Office of Credit Risk Management Update

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Linda S. Rusche, Director



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# Questions

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Thank you for attending today's  
session,  
our next call will be June 22, 2017.

Be sure to save the date!