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Thoughts for the Chief Credit Officer for Strategic Operational Framework for SBA MARC Lending

Introduction

Beginning October 1, 2025 SBA launches the Manufacturer's Access to Revolving Credit (MARC) Loan Program—a tailored facility for small manufacturers (NAICS sectors 31–33). The \$5 million, 75% guaranty program, is designed as a revolving line of credit to support working capital cycles, inventory financing, and equipment amortization. MARC leverages existing collateral to strengthen domestic manufacturing.

To ensure program integrity and operational excellence, the Chief Credit Officer must enhance underwriting, closing, and servicing capabilities.

SBA is silent on monthly monitoring, but a best practice is for the CCO to consider monitoring these lines as a formal working capital asset program.

First, consider this for your underwriters.

1. Underwriting Strategy: Manufacturing-Savvy & SBA-Aligned

- **Revolver Risk Modeling:** Establish frameworks to track borrower-specific draw patterns, utilization behavior, and cyclical manufacturing cash-flow rhythms.
- **Collateral Structuring:** Incorporate depreciation schedules for machinery, inventory obsolescence analytics, and realistic advance rates tied to asset liquidity.
- **Stress Testing:** Create scenario models simulating downturns—delayed receivables, inventory buildup, reduced demand—to inform advance rate thresholds.
- **SBA Protocol Alignment:** Adhere to SOP 50-10 (origination) and SOP 50-57 (servicing/liquidation) policies. Leverage SOP 50-10 Version 8 Appendix 8 (effective October 1, 2025) for current origination guidance.
- **Skills Development:**
 - Build internal expertise in Days Sales Outstanding (DSO), inventory turnover, and receivables concentration.
 - Train on revolver usage modeling and borrower-cycle financial forecasting.
 - Require completion of SBA “Training on Demand” coursework covering relevant SOP modules.

Coleman Report

SEPTEMBER 8, 2025

2. Closing Operations: Compliance Meets Efficiency

- **Documentation Integrity:** Ensure inclusion of personal guarantees, collateral perfection (via UCC filings), hazard and equipment insurance, and borrower compliance with environmental and equity injection requirements.
- **Modular Closing Kits:** Create dedicated checklists for revolving versus term closings to optimize speed and accuracy.
- **Team Training:** Ensure closing teams understand the latest SOP 50-10 closing protocols, particularly changes introduced in Version 8.

3. Servicing & Portfolio Oversight: Active Risk Management

- **Monitoring Infrastructure:** Implement dashboards for real-time tracking of utilization, aging, collateral health, and covenant adherence.
- **Field Oversight:** Conduct regular site visits to inspect inventory condition and verify receivables legitimacy.
- **SOP Compliance:** Service loans in alignment with SOP 50-57, incorporating refinements from SOP 50-57 3.1.
- **Authority Clarification:** Define which servicing actions require SBA approval versus those within lender discretion—using the updated Servicing Matrix.

4. Monthly Servicing Framework: Structured Oversight in Practice

In lieu of explicit SBA guidance, consider robust monthly monitoring protocols mirroring asset-based lending standards.

A. Mandatory Borrower Submissions

Each month, borrowers should deliver:

1. A/R Aging Report – by customer with defined aging categories.
2. DSO Metrics – tracked month-over-month.
3. Inventory Aging & Turnover – highlighting stock risk.
4. Borrowing Base Certificate – showing borrowing capacity using established advance rates.
5. Customer Concentration – top 5–10 accounts as a percentage of total A/R.
6. Bank Statements – verifying collections against receivables.
7. Covenant Compliance Summary – usage and compliance trends.
8. Material Events Alerts – like supplier failures or significant order cancellations.

Coleman Report

SEPTEMBER 8, 2025

B. Servicer Analysis & Response Protocols

- A/R Quality Oversight: Track rising delinquency and DSO deterioration.
- Collateral Evaluation: Identify aging inventory and customer overdependence as risk flags.
- Borrowing Base Validation: Cross-compare the borrower's calculation with internal assessments.
- Liquidity Monitoring: Track utilization against risk-based thresholds.
- Dashboard Alerts:
 - A/R aged 61+ days > 20%
 - Month-over-month DSO increase > 10%
 - Borrowing base coverage under 110%
 - Single customer > 25% of A/R
- Proactive Mitigation: When thresholds are breached, engage collection strategies, adjust advance rates, or require collateral adjustments to safeguard performance.

5. Training, Governance & Rollout Strategy

A. Training Initiatives

- Internal SOP Training: Mandatory completion of SBA "Training on Demand" modules covering SOP 50-10 and 50-57.
- External Certification: Leverage courses from providers like the Coleman Report to deepen SBA lending knowledge.
- Internal Workshops: Build internal capacity through modeling and credit-risk seminars focused on revolving credit.

B. Governance

- Appoint a MARC Program Lead to oversee implementation, training, monitoring, and continuous improvement.
- Define impactful KPIs, including default rates, utilization volatility, collateral deterioration, and covenant breach frequency.
- Pilot Program: Initiate MARC with a controlled borrower group, enforce monthly servicing, evaluate outcomes, and refine before scaling.

6. Conclusion

The SBA's MARC program offers a compelling opportunity to support small manufacturers while deepening institutional capability in working capital and asset-based lending. To capture this opportunity, your department must:

- Underwrite with manufacturing awareness and revolver modeling.
- Close with consistent, rigorous documentation.
- Service with a discipline of monthly oversight rooted in best practices.
- Govern implementation through dedicated leadership, training, and KPI-driven oversight.

Hand-in-hand, this framework enhances risk mitigation, SBA compliance, and competitive differentiation in supporting American manufacturing.



Coleman Report

SEPTEMBER 8, 2025

References with Direct Links

- ***SBA 5010 8 Appendix 13***

https://colemanreport.com/wp-content/uploads/2025/09/Appendix-13-7a-Manufacturers-Access-to-Revolving-Credit-MARC_0.docx

- ***OCC Asset-Based Lending Handbook:***

<https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/asset-based-lending/pub-ch-asset-based-lending.pdf>

- ***FDIC Guidance for SBA Lending:***

<https://www.fdic.gov/bank-examinations/examiners-desk-sba-lending-insights-lenders-and-examiners>