

Questions and Answers for the New *SBAExpress*

(7/1/02)

Question: **What is *SBAExpress*?**

Answer: *SBAExpress* was established by the SBA to test the implications of delegating additional authority to selected SBA lenders and of streamlining and expediting the Agency's loan approval process. Under the program, SBA allowed lenders to use mostly their own forms and procedures to process loans under \$150,000. All loans are processed by a highly automated, centralized processing center in Sacramento, CA. In return for the authority delegated under this program, lenders agree to accept a 50 percent SBA loan guaranty, which contrasts with Agency's traditional 75-85 percent guaranty.

Question: **What are the key features of *SBAExpress*?**

Answer: Key features of *SBAExpress* include:

- Maximum loan amount limited to \$150,000.
- SBA guaranty limited to 50 percent.
- Lenders use mostly own procedures and paperwork.
- Lenders do credit analysis and may use credit scoring – SBA does not reanalyze credit.
- All loans processed centrally by SBA's Sacramento PLP Center.
- Participation limited mostly to qualified PLP lenders.
- Revolving lines of credit loans eligible for extended terms.
- Loans may be accessed by credit cards.
- No collateral required for loans of \$25,000 or less, and lenders use own collateral policy for loans over \$25,000.
- Participants currently may fax applications to SBA but in the future will transmit applications electronically.
- Lenders must service and liquidate *SBAExpress* loans.
- All purchases are centralized in Fresno and Little Rock.

Question: **How long does it take SBA to process a loan application under *SBAExpress*?**

Answer: In most cases, SBA can provide an immediate response to a faxed or electronically forwarded application, but we commit to a turnaround time of 24 hours.

Question: **What is the New *SBAExpress*?**

Answer: *SBAExpress* has been enhanced to make it more attractive to lenders and borrowers by shifting greater processing responsibility and approval authority to lenders, by further streamlining and reducing the costs of processing small loans, and by making the program available to far more lenders. These changes are designed to substantially increase the number of small loans approved by SBA.

Question: **What are the specific differences between the existing *SBAExpress* and the new *SBAExpress*?**

Answer: *SBAExpress* is being enhanced as follows:

- Maximum loan amount for *SBAExpress* (and Export Express) is being increased to \$250,000.
- As many as 2400 additional SBA lenders not meeting previous minimum SBA volume requirements will be eligible.
- Lenders not formerly participating with SBA will be offered the program, if they meet certain eligibility requirements.
- Lenders are allowed to charge up to 6.5 percent over prime rate for loans of \$50,000 or less and up to 4.5 percent over the prime rate for loans over \$50,000.
- Documentation requirements have been reduced - Generally the only SBA required applicant document is a signed SBA Form 1919, "*SBAExpress* Borrower Information Form." This form now includes the certifications previously set forth in SBA Forms 159, 601, 912, and 1624.
- SBA will purchase *SBAExpress* loans under \$50,000 and all Export Express loans when requested immediately after default rather than after liquidation.
- SBA will immediately purchase all defaults where liquidation is likely to be extended.
- Qualified lenders may be authorized to make SBA eligibility determinations.

Question: **What is the target audience for this program?**

Answer: *SBAExpress* is designed to reduce the paperwork, procedures, and costs associated with smaller SBA loans. The program is therefore targeted to lenders and is expected to encourage more lenders to participate with SBA. However, in reducing lender costs for these smaller loans, the program is also targeted to that segment of the small business loan market that particularly needs small start-up loans and lines of credit.

Question: **When will the revised *SBAExpress* program become available?**

Answer: July 10, 2002.

Question: **What are the eligibility requirements for lenders to participate in the program?**

Answer: There are slightly separate requirements for existing SBA lenders and lenders not currently participating with SBA. For existing SBA lenders, the standards for participation are whether the lender:

- Can properly process, close, service, and liquidate SBA loans;
- Has a satisfactory performance history with SBA;
- Is in compliance with applicable SBA statutes, regulations, and policies;
- Has been reviewed by SBA in the past year and received an acceptable rating;
- Is current in filing required SBA reports and fees; and,
- Is in good standing with its primary regulator and the SBA.

For lenders not currently participating with SBA, the standards for participation are whether the lender:

- Has significant experience processing smaller size business loans;
- Is in good standing with its primary regulator
- If a bank or thrift institution, shows at least 20 commercial or business loans for \$50,000 or less outstanding at its most recent fiscal yearend;
- If an institution other than a bank or thrift, shows at least 20 commercial or business loans for \$50,000 or less outstanding at its most recent fiscal year end statements;
- Has received appropriate training on SBA's policies and procedures; and,
- Has the concurrence of SBA's Headquarters and field oversight authorities.

Question: **How does a lender apply for participation in the program?**

Answer: Lenders interested in participating in the *SBAExpress* program should forward their request to Rich Taylor in SBA's PLP Processing Center at *SBAExpress* to Richard Taylor, Director, Sacramento Loan Processing Center, 501 I Street, Suite 12-100, Sacramento, CA 95814-2322 or fax to (916) 930-2160.

Questions: **The SBA seems to be delegating considerable authority to its lenders under *SBAExpress*. Does this increase the Agency's risk or potentially expose it to greater portfolio losses?**

Answer: We are confident that the program is conceptually sound, but we have also built in several safeguards. First, SBA's guaranty is limited to 50 percent, which significantly limits the Agency's exposure, particularly vis-a-vis participating lenders. Also, participation and renewal in the program will be limited to lenders that demonstrate a

continuing proficiency and diligence in applying SBA's credit and eligibility standards. In addition, the Agency is currently developing a significantly enhanced system of program monitoring and oversight. This system is comprised of a comprehensive, new lender monitoring and reporting system that will provide up-to-date information on loan loss and currency data by individual lender. In addition, lenders participating in *SBAExpress* will be reviewed as part of the SBA's expanded lender review process. Finally, *SBAExpress* will continue through FY 2005 as a pilot program, and as such will be subject to continuing and especially close program monitoring and oversight, including monthly risk management assessments. If problems do develop, the Agency will quickly identify their source and institute remedial action.