<u>SBA Reform Overview</u>

Reform has focused on:
- Improving service delivery to customers (more helpful, faster turnaround, more relevant services)
- Supporting employees' ability to deliver that service (training, technology tools, better processes and policies to support them; better customer service)
- Greater transparency and accountability (tracking results, being honest/public about the issues, making individuals accountable for results)

Outreach has focused on targeted groups who need our services the most
- Rural
- InnerCity
- Veterans

<u>Selected Program Office Highlights</u>

1.   OFFICE OF DISASTER ASSISTANCE

Problem:
- Almost 11 months after Katrina, more than 120,000 victims were stuck somewhere in SBA's disaster loan process.
- Identified multiple inefficiencies and quality issues in disaster loan processes that led to high error rates, backlogs and poor customer service.
- Operation needed to get approved dollars to people in the Gulf <u>and</u> make changes to ensure future preparedness.

Solutions:
- Full redesign of internal disaster operation to improve response times, reduce errors and increase coordination.
- Borrowers were assigned case managers who provide personalized, one-on-one service to explain process, answer questions, and clarify outstanding issues.
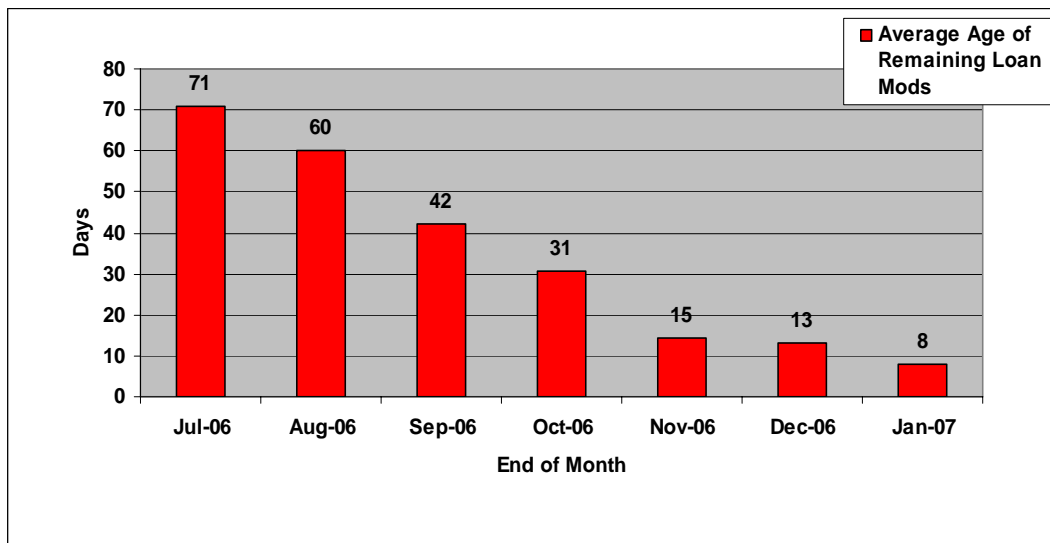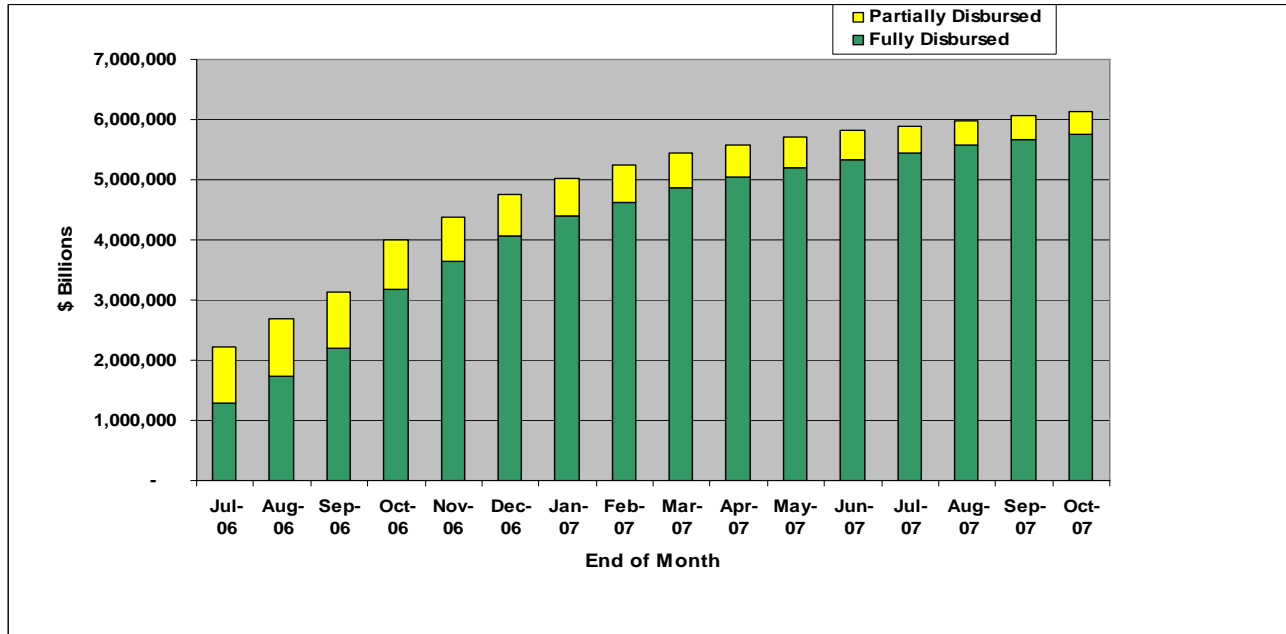
Results:
- Less confusion, a reduction in errors, and a minimization of duplicative or additional work.
- New process yielded improved coordination and communication not only with the disaster victims but also among employees and outside organizations.
- Integrated teams accounted for faster response times, decreased error rates, and improved customer service and support.
- Multiple IT improvements, policy modifications, and control enhancements led to faster, higher-quality operation.
- Loan Approval Process - New credit scoring practices and decision models provide the opportunity to accelerate the loan decision on the majority of

applications, freeing-up the time of ODA loan officers for complex and special cases.

- Loan Disbursement Process - The ability to deliver funds to the disaster loan borrower when the funds are needed is extremely important. While significant gains were realized by adoption of the case manager approach, ODA improved and streamlined the processes and systems that make or break the case manager's customer service and productivity.
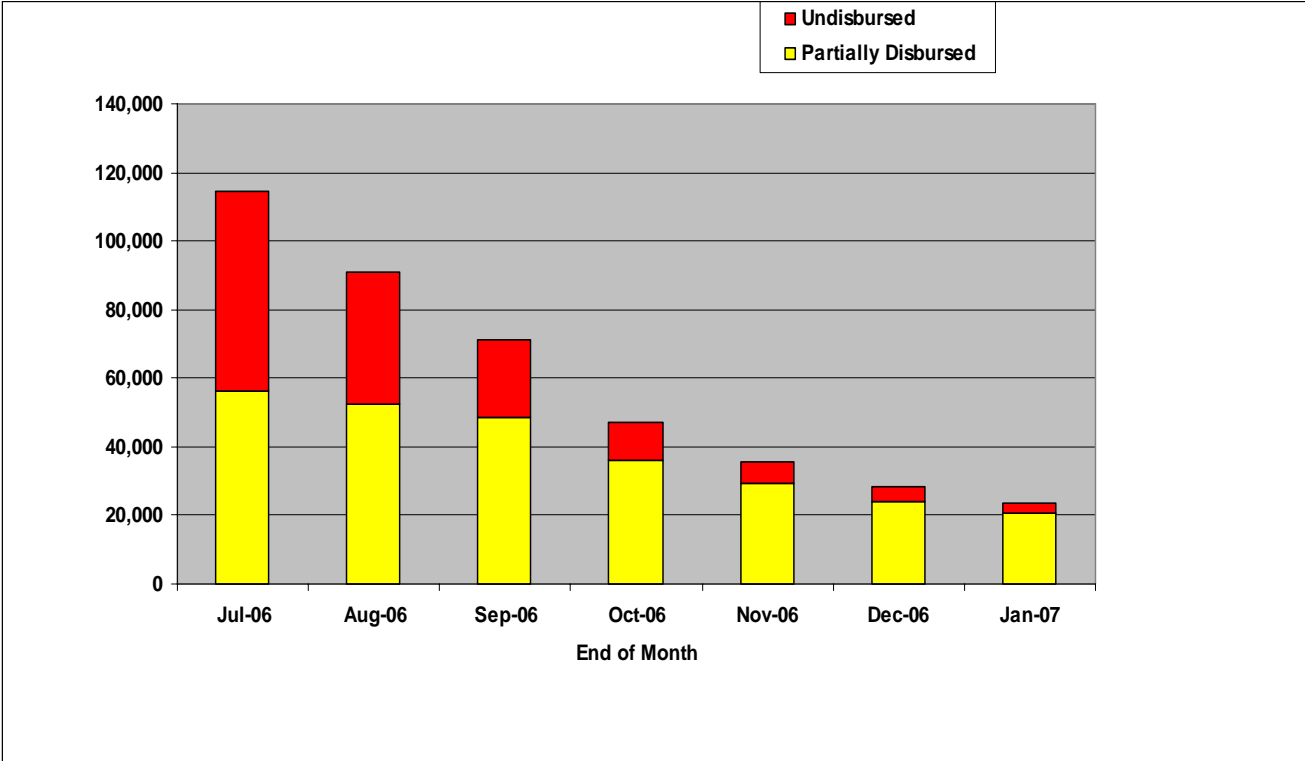
Results (continued):

- The Gulf Coast hurricane loan backlog quickly began to drop, from almost 120,000 by the end of July to 28,687 by the end of December, dropping to near zero a few months later.
- Turnaround times in key processes were cut by up to 90 percent. The reengineered processes allowed the agency to eliminate the loan backlog, shorten response times in some key functions from over two months to fewer than two weeks, improve quality, and provide greater borrower support.
- SBA has disbursed more than $6 billion to more than 100,000 Gulf Coast families and businesses.

DRP
- Last June, the agency submitted a Disaster Recovery Plan to Congress which includes procedures to better handle future catastrophic disasters, operationalize surge plans, and establish a comprehensive approach to coordinate with other disaster assistance groups. SBA received no criticism of the plan.

Electronic loan application
- During FY 08, ODA introduced a prototype of a web-accessed, on-line disaster loan application and process modeled on industry and government best practices. This e-application will facilitate immediate transfer of disaster victim data into ODA's loan processing system, prevent most applicant entry errors and reduce application completion time and effort by the disaster victim. ODA will continue to offer disaster victims the option of a paper-based and customer service rep assisted on-line application entry.

2. OFFICE OF CAPITAL ACCESS
Herndon Guaranty Purchase Center

Problem:
- Average amount of time it took lenders to get guarantied funds in the core 7(a) program was 279 days;
- Backlog went back 18 months.

Solution:
- Focus on customer service;
- Training for all staff in job skills and customer service;
- Made our process simpler, made improvements to how we organized our work;
- Better communication with lenders about how to provide information we need;
- Full workflow redesign.

Results:
- A much higher percentage of lender packages are complete and reviewable when we get them, which improves consistency and quality of the review process and helps us be more productive.
- Today, new packages, when correct, turn around in an average of 23 days;
- Excess backlog is gone;
- Productivity per loan offices has increased more than 100 percent.
- Additionally, we have applied these improvements to our other processing centers, which is helping us meet increasing demand for servicing and liquidations with 10% less staff than we would have needed to address the same level of demand before making improvements.

Lender oversight improvements
- During the past several years, SBA has taken important steps to put into place a comprehensive credit risk management program for its loan programs, including:
  - Establishing a lender oversight office and an oversight committee made up of senior agency officials;
  - Establishing a risk-based assessment tool to allow SBA to focus oversight efforts on the riskiest lenders;
  - Increasing the number of on-site reviews for lenders
  - Developing a lender portal to allow lenders access to additional portfolio data compared to peer and portfolio performance, allowing lenders to be more proactive in monitoring their own portfolio;
  - Proposing new, tighter oversight regulations.

New Initiatives
- **Patriot Express:** We've also launched a new product designed to help support the military community. So far this year, we approved 1,436 Patriot Express loans, totaling $149,083,700.
- Launched a **small and rural lending initiative** to make it easier for smaller banks to make SBA loans; we are currently expanding this initiative to more areas of the country.
- To date this year, we have slightly more lenders who have made SBA loans (up 23 lenders, 1%) despite credit crunch and slower economy (after a period of decline)

3. OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT

Small business contracting
Problem: Data was unreliable; rules allowed small business contracts held by firms bought by large companies to be counted as small for up to 20 years; federal agencies were missing their small biz contracting goals.

Solutions:
- Clean Data
  - > Much more integrity to the data. Took $4.6 billion off contract database last year.
- Recertification
  - > Tightened definition of small business. Estimate an additional $5 billion-$10 billion will be removed.
- Data available on all contracts through GSA. SBA provides a snapshot of that data annually through its Goaling Report.
- Scorecard
  - > Important tool to get agencies to table to discuss improvement strategies for small biz contracting.

Result:
- As much as $10 billion (out of $80 billion total) in small business contracts are coming off agency small business contracting rolls, forcing them to look harder to meet their goals.
- Federal agencies now faced annual public report by SBA on their current small biz contracting efforts and future plans.

8(a) process improvement

Problem:
- Last year many firms that applied for the 8(a) program were taking 145 days or longer to get certified.
- Certification centers had insufficient support to meet the increasing demand for 8(a) certifications;
- All too often the applicants were puzzled as to the necessary information that was required for the 8(a) application.

Solutions:
- Created on-line 8(a) assessment tool to assist applicants in applying;
- Certification centers enhanced customer support by making direct contact with the applicant to ensure the applicant knew the point of contact for continued processing of the their application;
- Conducted business process reengineering of the entire office, including the 8(a) certification process. As a result, a new Business Development Management Information System will be deployed this summer;

Results:
- Currently, we have worked through backlogs, we are turning applications around an average of 77 days and providing more customer focused assistance in the process;
- The improved technology will allow staff to provide more business development opportunities to support 8(a) firms.

4. OFFICE OF ENTREPRENEURIAL DEVELOPMENT

e200 Initiative

Goal: Accelerate Delivery of Counseling and Training in Inner City Markets

Actions:
- Launched in spring 2008, Emerging 200 is an intensive job and growth initiative for 200 inner city businesses.
- Focused on small, poised for growth companies with growth and sustained expansion capability.

- Designated 11 host cities: Boston, Philadelphia, Baltimore, Memphis, Atlanta, Chicago, Milwaukee, Albuquerque, New Orleans, Des Moines, and Oakland.
- Local network of business resources already in place in the host cities include community, state or local government, technical assistance and capital provider partners.
- A comprehensive curriculum on developing winning, local strategies and attracting capital to fuel growth will help transform communities, grow wealth and increase the tax base in a meaningful way.

Office of Women's Business Ownership

Problem:
- Backlog of invoice payments
- Lack of transparency in process for customers
- Poor customer service

Solutions:
- Executed Inter-Agency agreement with HHS to utilize "Center of Excellence" grant payment management system – web based and transparent.
- Reduced "work in process" time from 60-360 days to 30-45 days.

5. Employee Training and Advancement

Goals:
- Establish the SBA Reform Agenda to ensure that employees are trained to do their jobs, and are achieving results and have opportunities for professional growth.
- Place a renewed focus on outcomes, customer service, accountability, and transparency.
- Expanded communications with employees to foster greater engagement in agency mission.

Accomplishments:
- Created Office of Performance Management, which established an agency-wide Performance Management Framework to align agency mission, funding and priorities. Enhanced monthly reports and management review meetings were instituted to closely track agency operations and priorities.
- The first "SBA University" was held in 2007, the largest staff training in agency history. More than half the agency's 2,500 permanent employees received a week of comprehensive training on topics including contracting, loan processing, customer service, administration, marketing and public affairs. Positive employee feedback was over 95% and SBAU 2008 is in the works.
- Communicated more effectively Agency goals and priorities, set clearer more focused goals.

- Established a clear transparent system for hiring field employees allowing managers to plan accordingly.

Employees clearly have seen the change. Dramatic improvements have been made in how employees feel about their jobs, agency performance and communications, and the agency's senior leadership. In a survey conducted late last year to see how employees feel about the reforms, the results showed:

- Overall, job satisfaction increased 9 percent;
- Satisfaction with whether employees have the right skills, can use their skills, and improve their skills, increased 11 to 13 percent;
- Satisfaction with how well leadership communicates goals, priorities, and other information improved 11 to 16 percent;
- Respect employees have for senior leaders increased over 21 percent.

In addition, early data shows the SBA potentially ranking among the top 5 federal agencies in several key categories:

- Communication of the goals and priorities
- Differences in performance are recognized in a meaningful way
- Talents and skills are being used effectively in the workplace
- Satisfaction with the recognition received for doing a good job

Program offices also achieved improvements in all nine major management challenges identified by SBA's Inspector General and continue to make considerable progress on the President's Management Agenda.

6. **Lending**
- **Decline in Lending as of 5/31/2008**

FY 2007- FY 2008 (as of 5/31)	
Program	Change in $
7 (a) Lending	-9%
504 Lending	-7%
Total	**-8%**

- Most of the decline in SBA Lending comes from
    - Smaller revolving SBAExpress Loans (YTD declined 24% in dollars). The decline in the number of SBAExpress loans to date this year is greater than the decline in the number of all 7(a) loans to date this year.
    - Part of this decline comes from a reduction in approvals by lenders in riskiest categories, due in part to SBA oversight efforts.

- **More of our new loans are through less risky lenders.** The number of new loan approvals for lenders rated as less than acceptable by SBA has lagged well behind the rate of approvals for lenders rated as acceptable. Through April 30, 2008, loan approvals by 7(a) lenders rated less than acceptable is down 34% from the same period in FY2007 in gross dollars, and down 31% year over year in total loans approved. For the same period, loan approvals by lenders rated acceptable is down 5% in gross dollars and 14% in total loans approved.

- **Higher Dollar Loans**: average 7(a) loan size has increased 14% from this time last year (as of 04/30).