

# CREDIT UNION TIMES

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## Credit Unions and the SBA, Perfect Together

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By Steve Preston

Credit unions and the U.S. Small Business Administration are important partners bolstering America's small businesses.

The SBA's outreach to credit unions began in the 1990s and has continued since, to ensure that small businesses and entrepreneurs who do not use commercial banks still have access to much-needed capital and other financial services.

We work closely with the National Credit Union Administration on regulations to facilitate our partnership with credit unions. In 2003, SBA opened the loan guaranty program to permit not only community-chartered credit unions to participate, but all credit unions no matter their charter or field of membership. Currently, close to 400 credit unions nationwide participate with the SBA.

The SBA currently guarantees nearly \$70 billion in loans to small businesses. In the last fiscal year, the agency guaranteed a record \$20 billion in new loans to small businesses, including \$145 million in loans made by credit unions. This capital is the life blood for many small businesses and entrepreneurs across the country, and it's capital that the SBA enabled the private sector to provide.

The SBA's ability to extend this capital – as with the agency's ability to deliver its other products and services – depends on partnerships. We provide the guaranty, but lenders make the loan. This is why it's essential for the agency both that we have the right partners, and that we expand our network of partnerships in order to reach our target markets more effectively, including veterans and underserved communities.

Credit unions across the country have realized the benefits of diversifying their portfolios by making small business loans. But the value of making small business loans goes beyond this benefit – beyond even the benefit to the entrepreneur or small business that receives the loan – and right to the community.

I believe strongly in the transformative power of entrepreneurship. Successful small businesses bring economic growth and employment opportunities, not to mention useful goods and services, into communities across the country. And this power is particularly effective in communities that have higher than average unemployment and poverty – our

underserved markets. These communities have a wealth of entrepreneurial potential that an infusion of capital, which SBA guaranties can help facilitate, can unlock.

The SBA is focusing the delivery of our products and services in underserved markets in order to accelerate entrepreneurial development. But this is more than a priority for the agency: I believe that empowering change in communities that need it most goes to the very core of the agency's mission. And it is a mission that we share with many credit unions across the country.

With this common ground, the SBA and credit unions are natural partners. To make sure that the SBA is holding up our end of the partnership, and to encourage more credit unions to participate with us, we're making our products easier to use.

In September we unveiled our Rural Lender Advantage initiative, a streamlined process tailored to the needs of small lenders, like many community banks and credit unions, which utilized our products less frequently because of the complexity involved in filling out the paperwork. The SBA's staff listened closely to small lenders and designed a loan process that removed the barriers that discouraged its use.

Rural Lender Advantage is a simplified version of our 7(a) loan process that will feature better support and be easier to use. The streamlined loan application will be shorter, and it will be available online.

In order to navigate the SBA's often complicated eligibility requirements, the lender will be able to consult a straightforward checklist. To help lenders even more, a trained customer service representative will be available by phone to answer questions and guide lenders through the requirements.

Routine loans will be processed in a number of days, and unlike our expedited Express loan, the SBA's most attractive guaranty levels will apply.

In short, this is a product that will make us a better partner for smaller lenders. As credit unions understand, these lenders play an important role in their communities.

Credit unions would be ideal participants for Rural Lender Advantage. The process is designed for lenders that make fewer than 10 SBA loans per year on average, which would include three out of every four credit unions that currently make SBA-backed loans.

The SBA is making other loan products easier to use as well. We're improving the Community Express loan, making it more focused on underserved markets and easier for lenders and borrowers to use.

In addition to extending our reach into underserved markets, the SBA is enabling entrepreneurship in the veterans' community. Around 14 percent of America's small

businesses are owned by veterans, and about the same percentage of America's veterans are small business owners.

Earlier this year we rolled out an important lending initiative in Patriot Express. This product is for our veterans, Reservists, National Guard members and their spouses. Active duty personnel in the military's Transition Assistance Program are also eligible. The loan features our most attractive guaranties and lowest interest rates in order open the door to entrepreneurship for our military heroes.

Through the many defense-related credit unions, the SBA could deliver Patriot Express more effectively to the military community. And it's a great product for credit unions to offer their members. We see lots of potential. The Navy Federal Credit Union, for instance, is the nation's largest, with almost 3 million members and more than \$30 billion in assets.

Patriot Express has met with early success – more than 447 loans for \$46.4 million have been approved – but there is a large portion of the military community that would benefit from this product, and we want to reach them. Defense credit unions are a perfect way to connect veteran entrepreneurs with the capital they need to start or grow their business.

In the military community as in underserved markets, entrepreneurship is a powerful force that precipitates lasting change for entrepreneurs, their employees, their families, and their communities. The SBA enables this change, but we don't do it alone. Our ability to deliver our products depends on having the right partners, like credit unions. The SBA is improving its services to assure that we, in turn, can be the right partner for our lenders. Together, the SBA and credit unions can foster small business success across the country, support our veteran small business men and women, and drive real change in our underserved communities.

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