

**SBA Project Plan**  
**Section 509: Secondary Market 7(a) Broker/Dealer Loans**

**October 6, 2009**

**PROGRAM PURPOSE**

The Recovery Act allows the SBA to make direct loans to systematically important broker-dealers who have been active in the secondary market for the guaranteed portion of 7(a) loans. These broker-dealers would use the loan funds to purchase SBA-backed loans from commercial lenders, assemble them into pools, and sell them to investors in the secondary loan market.

**PUBLIC BENEFITS**

Making funds available to broker dealers will help provide liquidity for the secondary market, ultimately encouraging lending of new 7(a) loans for small business entrepreneurs and owners.

**PROGRAM DETAILS**

- Under this program, SBA will be able to make direct loans to systematically important broker-dealers that participate in the 7(a) guarantee secondary market.
- These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools, and sell them to investors in the secondary loan market.

<b>QUICK PROJECT FACTS</b>	
<b>Project Description</b>	Establish a Secondary Market Lending Authority
<b>Appropriated Funds</b>	There is no associated funding for this program; the Recovery Act requires that credit subsidy costs be covered by user fees.
<b>Implementation Timeline</b>	2/17/09 – TBD
<b>Program Sunset</b>	2/17/11
<b>RESOURCES</b>	
<b>Exec. Sponsor</b>	Eric Zarnikow
<b>Team Lead</b>	Jim Hammersley
<b>Offices Involved</b>	OPP, OCA, OFA, OGC, OCIO, OFO, M&A, OCFO, PMO, ORM, OHCM <sup>1</sup>

---

<sup>1</sup> See Glossary of Office Names

**SBA Project Plan**  
**Section 509: Secondary Market 7(a) Broker/Dealer Loans**

**October 6, 2009**

**PROJECT PLANS**

Milestones for this project are listed below. Progress will be measured against the planned delivery dates. The due dates listed below for notices and other major documents to be issued by the Agency incorporate a two to three week period between the initial drafting of the document and final clearance and publishing. During that period, the document must be cleared by all major offices in the Agency and by OMB.

<b>Milestones (Accountable office[s])</b>	<b>Due Date</b>	<b>Status</b>	<b>Comment</b>
<b>Planning Phase</b>			
Form team and determine strategy and program structure	3/27/09	Completed	
Develop fee subsidy model (OCFO, OCA)	3/25/09	Completed	
Complete Risk Assessment (ORM, Workgroup)	5/30/09	Completed	
Develop requirements for system changes (OCIO)	5/31/09	Completed	Developed: 9/30/09
Finalize changes to legal documents (OGC, OCA)	6/15/09	Delayed	Revised Date: <del>6/29/09</del> <del>8/31/09</del> 10/15/09
Develop Risk Mitigation Plan (ORM, Workgroup)	6/15/09	Completed	Developed: 7/15/2009
Develop Close out plan	6/29/09	Completed	Developed: 9/30/09
<b>Execution Phase</b>			
Submit Regulations for OMB Approval	6/10/09	Completed	Submitted: 8/31/09
Establish Secondary Market Authority (OCA, OHCM)	6/30/09	Delayed	Revised Date: <del>8/31/09</del> <del>9/30/09</del> 10/30/09
Appoint Program Director (OCA, OHCM)	6/30/09	Delayed	Revised Date: <del>8/31/09</del> <del>9/30/09</del> 10/30/09
Implement System Changes (OCIO)	6/30/09	Delayed	Revised Date: <del>8/31/09</del> <del>9/30/09</del> TBD
Publish Final Regulations (Workgroup)	6/30/09	Delayed	Revised Date: <del>8/31/09</del> 10/15/09
Notification/Outreach to broker-dealers (Workgroup)	6/30/09	Completed	

**SBA Project Plan**  
**Section 509: Secondary Market 7(a) Broker/Dealer Loans**

**October 6, 2009**

Launch program (Workgroup)	6/30/09	Delayed	Revised Date: 8/31/09 9/30/09 TBD
Implement close out plan	TBD		
<b>Evaluation Phase</b>			
Monthly report to Congress (OCA, OCLA)	3 <sup>rd</sup> of Month	Ongoing	
Monitor program performance (OCFO, PMO, Steering Committee, Workgroup)	2/17/11		

Dates in the chart above are subject to change based on final policy decisions and external factors. These factors may include the need to execute third-party contracts; recruit, hire and train additional staff; obtain necessary external approvals; and create or modify required systems. Project Plans will be re-baselined and updated as necessary.

**TRANSPARENCY AND ACCOUNTABILITY**

To report progress on the implementation of this project, SBA will regularly update the Milestones table set forth above to report on the status of milestone attainment. Updated Project Plans will be published on SBA’s Recovery web site: <http://www.sba.gov/recovery/agencyplans>.

In addition, SBA will generate a Program Performance Overview Report, which will contain detailed financial and performance information pertaining to all SBA Recovery Act programs. Information contained in the Program Performance Overview Report will be updated periodically and published on SBA’s Recovery web site.

SBA will also report the following information to Congress by the 3<sup>rd</sup> of each month:

<b>Measures for 509</b>	<b>Current Month</b>	<b>Year to Date</b>
Total amount of loans extended (dollars)		
Total amount of loans repaid (dollars)		
Total loan amount outstanding (dollars)		
Total value of assets held as collateral (dollars)		
Defaults (dollars)		
Delinquencies (dollars)		
List of borrowers found to have misused guarantees		

**MONITORING AND EVALUATION**

The SBA developed an agency-wide framework to ensure timely and effective implementation of Recovery Act projects to support America’s small businesses. The SBA Recovery Act Steering Committee, comprised of senior SBA leadership, meets every week to review, evaluate and assess the status and results of each SBA-related Recovery Act project.

The Secondary Market 7(a) Broker/Dealer Loans project is managed by a team. Project teams, which meet several times each week, and supporting offices are held accountable for on-time completion of project milestones and deliverables. Project teams also meet regularly with the Performance Management Office to track metrics and milestones, which are reported weekly to the Steering Committee.

The Steering Committee reviews reports to identify:

- Progress made toward each project milestone
- Factors that have the potential to slow implementation or decrease effectiveness
- Effectiveness of each project measured against expected outcomes
- Success of any implemented adjustments made to strategies, services and project
- Effectiveness of risk mitigation strategies

**BARRIERS TO EFFECTIVE IMPLEMENTATION**

- Challenges related to creation of entirely new program
  - new systems and business processes
  - new regulations
  - new legal agreements with participants
- Policies and operational issues around securing collateral
- Effectively marketing the program to targeted participants
- Timeframe to procure necessary services
- Attractiveness of program financial terms compared to other available options
- Systems changes

**GLOSSARY OF OFFICE NAMES**

CLA	=	Office of Congressional & Legislative Affairs
DFC	=	Denver Finance Center
M&A	=	Office of Management & Administration
OCA	=	Office of Capital Access
OCFO	=	Office of the Chief Financial Officer
OCIO	=	Office of the Chief Information Officer
OCPL	=	Office of Communications & Public Liaison
OCRM	=	Office of Credit Risk Management
OED	=	Office of Entrepreneurial Development
OFA	=	Office of Financial Assistance
OHCM	=	Office of Human Capital Management
OFO	=	Office of Field Operations
OGC	=	Office of General Counsel
OPGM	=	Office of Procurement & Grant Management
OPP	=	Office of Policy & Strategic Planning
ORM	=	Office of Risk Management
PMO	=	Performance Management Office