



U.S. Small Business
Administration

Office of Credit Risk Management

The mission of the Office of Credit Risk Management is to ensure the integrity and maximize the effectiveness of SBA's lending programs by managing portfolio risk, monitoring lender performance, and enforcing lending program requirements.

Eddie Ledford
Supervisory Financial Analyst

Managing Portfolio Risk

Monitoring Lender Performance

Enforcing Lending Program Requirements.

Managing Portfolio Risk

Risk Based Reviews
Delegated Authority

Monitoring Trends (Rates)

Portfolio
Individual Lender

Identifying Emerging Risks

PARRiS Flags
“Big Data”

Behavior Modification

Types of Reviews



Safety and Soundness Examinations

SMART Analytical Review

SMART Targeted Review

SMART Full Review

Desktop Review

Diagnostic Review (PARRiS Analytical Review)

Limited Scope Review

- Parris Targeted Review
- Corrective Action testing
- Quarterly Monitoring (high volume Lenders)

Full Review (PARRiS Full Review)

PARRiS Scores and Risk Relationship

Less than 30

Lower Risk

30-43

Moderate Risk

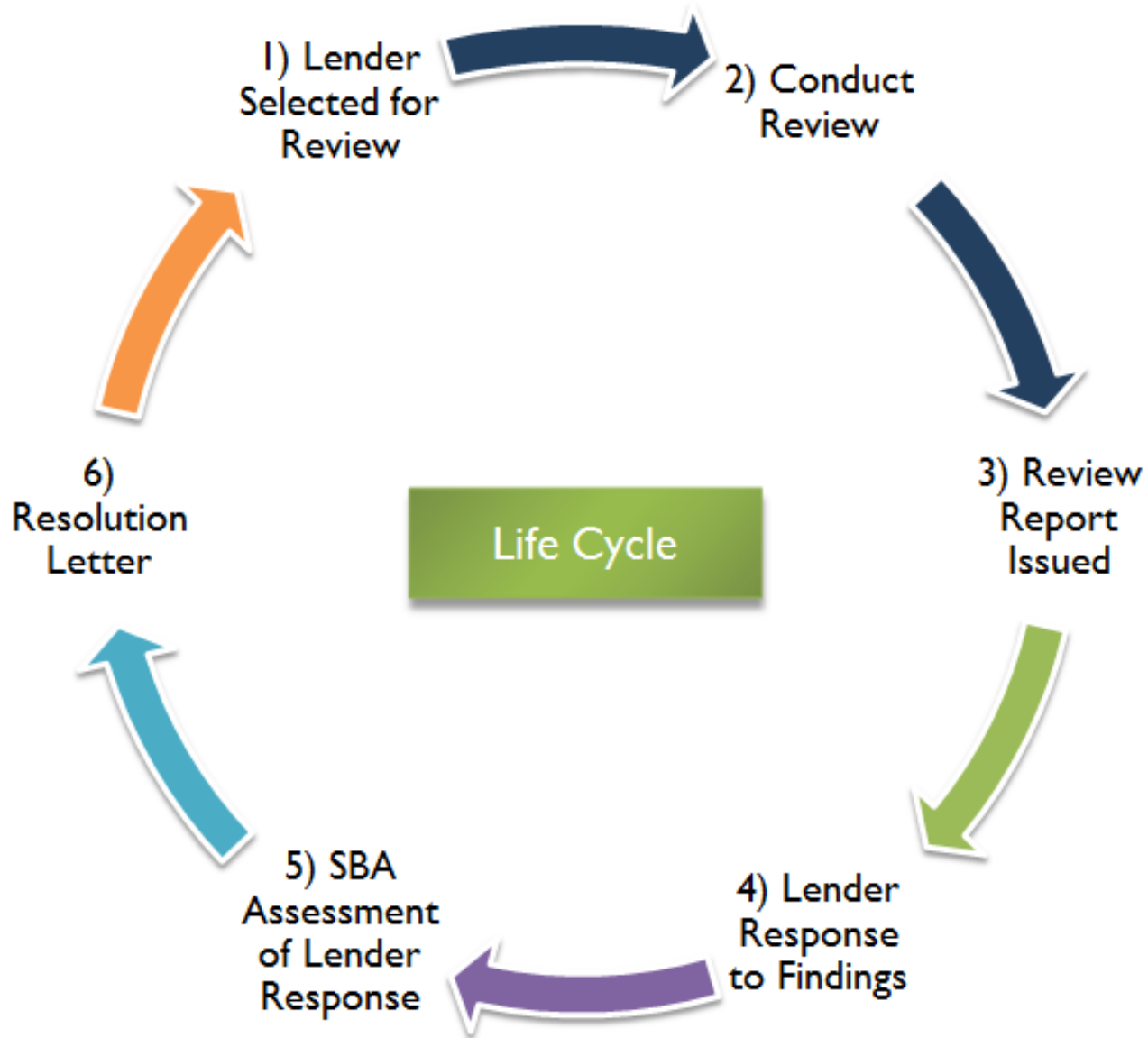
44 and Greater

Higher Risk

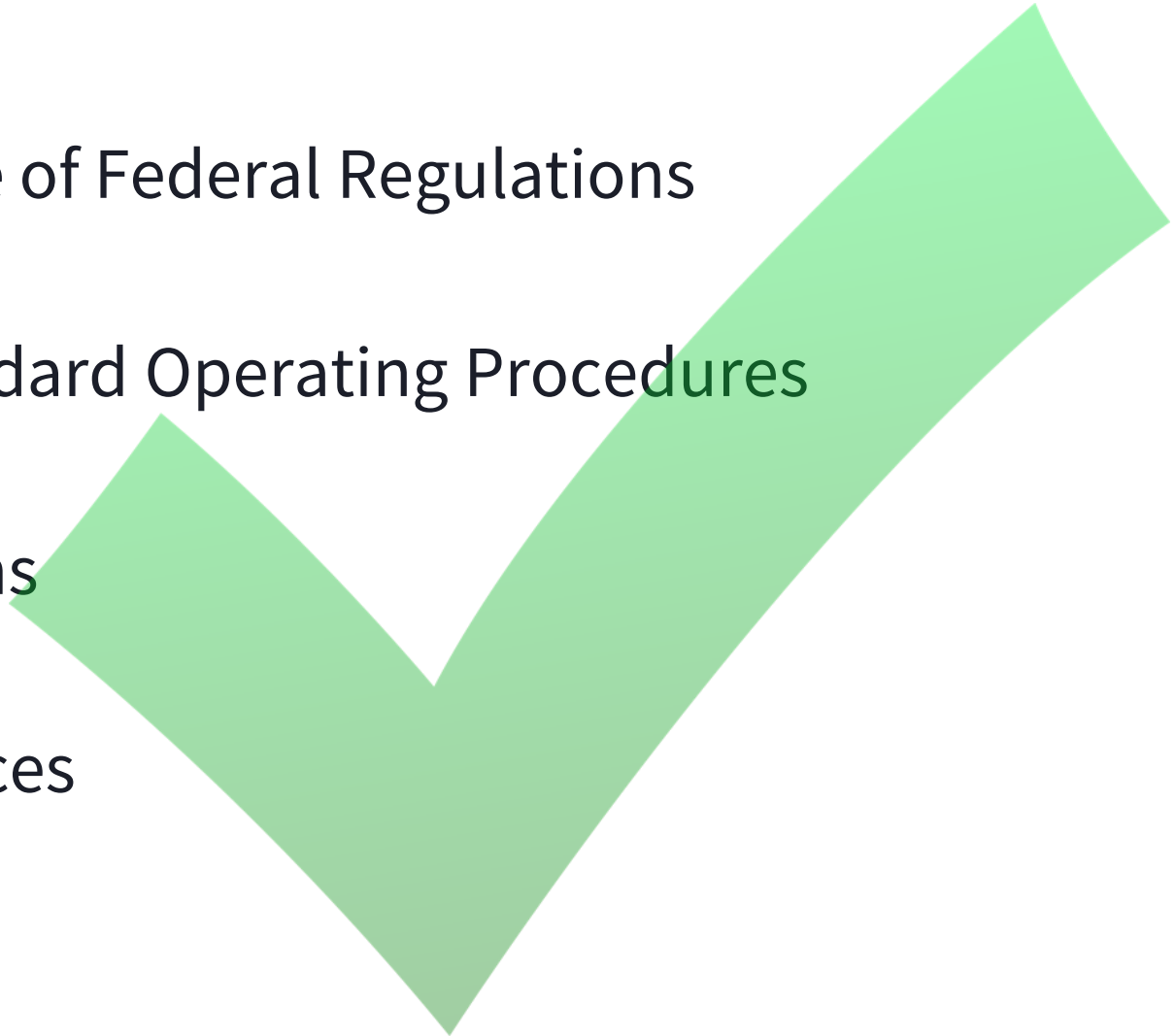
Lender Review Pilot Program Goes National in 2019

- Pilot Program expanded after initial testing in SBA Regions VI – X.
- SBA staff serve as primary points of contact with lenders
- Contractors continue to serve critical back office functions (e.g., testing certain requirements, loan file review)
- Credit memorandum-to-E-Tran testing
- Questionnaire addressing all 7(a) activities and support.

Review Life Cycle



Exceptions

- Code of Federal Regulations
 - Standard Operating Procedures
 - Forms
 - Notices
- 



Results

FY18 Risk Based Reviews

• ELIGIBILITY

- Form 1919
- Size Determination
- EPC/OC Requirements
- Debt Refinancing
- Credit Elsewhere
- Change of Ownership



• UNDERWRITING PRACTICES

- Collateral Analysis
- Equity Injection (Source/ Documentation)
- Credit Memo VS. Authorization
- Projections (validation and analysis)
- Tax Transcripts



• **LOAN CLOSING PRACTICES**

- Lien Perfection
- Hazard Insurance
- Life Insurance
- Standby Agreement and Underlying Note
- Equity Injections (source/documentation)

• **SERVICING PRACTICES**

- Site Visits
- Lien Releases
- Payment Application
- Timely Wrap-Up Reports
- Monitoring Continued Creditworthiness



• **THIRD PARTIES**

- Form 159 (competition and submission)
- Prohibited Fees
- Passing LSP and Other Operational Costs to the Applicant.



OCRM SOP's Under Revision

51 00

and

50 53

Attributes of a Successful SBA Lender

- Dedicated and Trained Staff
- Formalized Procedures
- Committed Management
- Technology
- SBA Partner Relationships
- Industry Partners
- Do What You Know
- Periodic Internal Check-Up
- Integration of Acquired Loans



Ways to Improve Review Experience



***MEET YOUR DEADLINES FOR DATA**

***TRANSPARENT APPROACH**

***WALK THRU STAFF AVAILABILITY**

***COMPLETE LOAN DOCUMENTATION**

***EXCEPTIONS TURN AROUND TIME**

If You Are Successful, We are Successful

OCRM strives to help lending partners understand how best to fulfill the requirements of the lending programs in a way that is mutually beneficial. Lending partners are crucial to the overall success of these programs and enable SBA executive management to make more informed decisions on program policy.

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How can we help you?