

Payment Integrity Scorecard

Program or Activity
504 Certified Development
Company Guaranty Approv..

Reporting Period
Q1 2021

Change from Previous FY (\$M)

\$217M

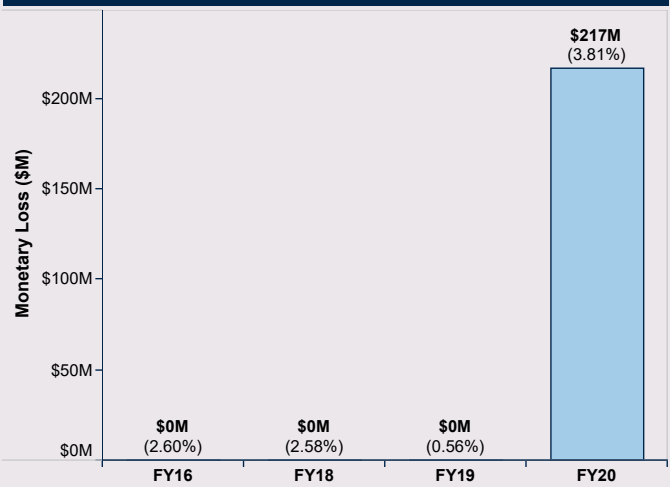


SBA
504 Certified Development Company Guaranty Approvals

Brief Program Description:

The CDC/504 Loan Program provides long-term, fixed rate financing of up to \$5 million for major fixed assets that promote business growth and job creation. 504 loans are available through Certified Development Companies (CDCs).

Monetary Loss (\$M)
(Overpayment as Percentage of Total Outlays)



Key Milestones		Status	ECD
1	Develop mitigation strategies to get the payment right the first time	On-Track	Sep-21
2	Evaluate the ROI of the mitigation strategy	On-Track	Sep-21
3	Determine which strategies have the best ROI to prevent cash loss	On-Track	Sep-21
4	Implement new mitigation strategies to prevent cash loss	On-Track	Sep-21
5	Analyze results of implementing new strategies	On-Track	Dec-21
6	Achieved compliance with PIIA	On-Track	Mar-22
7	Identified any data needs for mitigation	On-Track	Mar-21

Goals towards Reducing Monetary Loss			Status	ECD
1	Q1 2021	All IPs identified in FY2020 IPERIA reviews have been resolved through obtaining additional documentation, loan modification, and reduction/cancellation of the loan guaranty. Corrective actions are generally completed at loan level within 180 days.	Completed	Sep-21

Recovery Method	Brief Description of Plans to Recover Overpayments
1 Recovery Audit	There is no monetary loss on loan approvals. SBA will continue to obtain loan documentation to mitigate or eliminate improper payments.
2 Recovery Audit	There is no monetary loss on loan approvals. SBA will continue to work with lenders/CDCs to modify loan terms to mitigate or eliminate improper payments.
3 Recovery Audit	There is no monetary loss on loan approvals. There is a substantial time difference between this approval date and the loan closing. SBA works extensively with the CDC to mitigate or eliminate impro..

Accomplishments in Reducing Monetary Loss			Date
1	Developed Corrective Action Plan for 504 Loan Program Approval Center		Sep-20
2	Identification of tolerable Improper Payment Rate for 504 Loan Program Approvals of 2.04 percent.		Sep-20
3	Resolved improper payments that were identified in FY2020 by obtaining additional documentation, through loan modifications, through reduction or cancellation of loan guaranty.		Sep-20

Amt(\$)	Root Cause of Monetary Loss	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$217M	Failure to Verify: Financial Data	CDCs' failure to authenticate borrowers' eligibility at origination in compliance with loans program requirements.	Training	Internal collaboration to ensure CDC deficiencies are monitored and incorporated into lenders' Risk Based Reviews. CDCs will be made aware of non-compliance in those review reports.

Monetary Loss - Monetary loss to the Government includes amounts that should not have been paid and in theory should/could be recovered.