

# Payment Integrity Scorecard

**Program or Activity**  
504 Certified Development  
Company Guaranty Approvals

**Reporting Period**  
Q2 2021

**Change from Previous FY (\$M)**

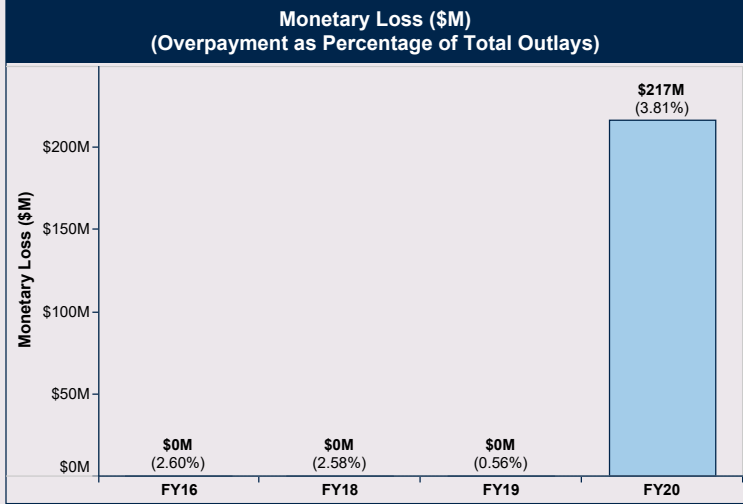
**\$217M**



**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).

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	Sep-21



Goals towards Reducing Monetary Loss	Status	ECD
1 Q2 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	Brief Description of Actions Taken to Recover Overpayments
1 Recovery Activity	There is no monetary loss on loan approvals. SBA will continue to obtain loan documentation to mitigate or eliminate improper payments.	Obtain additional loan documentation to mitigate or eliminate improper payment.
2 Recovery Activity	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.	Modification of loan terms to mitigate or eliminate improper payment.
3 Recovery Activity	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 improper payment before loan closing.	There is a substantial time difference between this approval date and the loan closing. SBA works extensively with the CDC to mitigate or eliminate improper payment before loan closing.

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
N/A	Failure to verify: other eligibility 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.