

Payment Integrity Scorecard

Program or Activity
504 Certified Development Loans Approvals

Reporting Period
Q2 2023

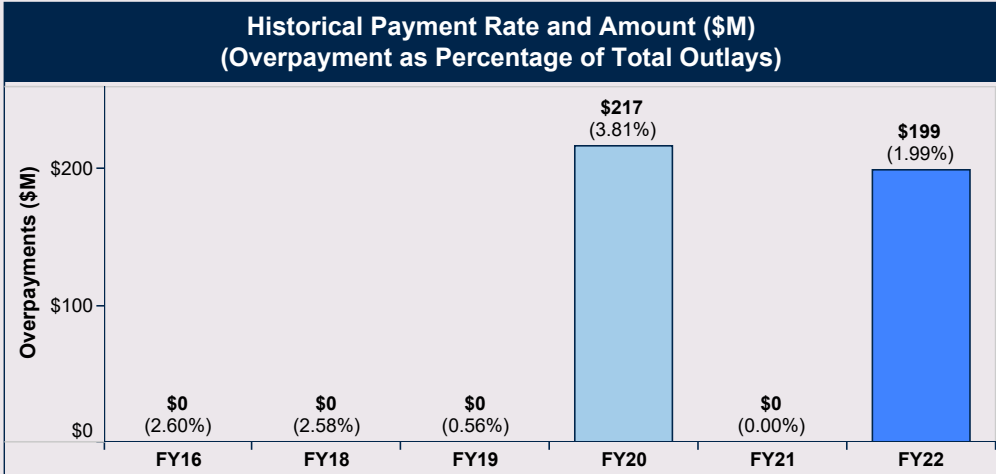
FY 2022 Overpayment Amount (\$M)* **\$199**

*Estimate based a sampling time frame starting 4/2021 and ending 3/2022

SBA SBA
504 Certified Development Loans Approvals

Brief Program Description & summary of overpayment causes and barriers to prevention:

The 504 Certified Development Loans program, made available through Certified Development Companies (CDCs), provides small businesses with long-term, fixed rate financing for major assets that promote business growth and job creation. CDCs are the SBA's community-based partners: non-profit corporations certified and regulated by the Small Business Administration to package, process, close, and service 504 loans in order to promote economic development within their communities.



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

As a means to reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan has been formalized for the 504 approval center. Specific corrective actions are determined based upon the primary reason for the improper payment with the purpose of both remedying the improper payment and preventing recurrence. Plans for improvement include the following: • Collaborating with the Office of Credit Risk Management (OCRM) to recommend specific lender deficiencies be monitored and incorporated into Risk Based Reviews; • Collaborating with the Office of Financial Assistance (OFA) to inform the office of deficiencies identified for potential incorporation into policy, regulatory, or standard operating procedure rewrite or update; and • External training for lenders to ensure appropriate documentation is obtained and analyzed prior to loan approval and to ensure that policy requirements are met.

Accomplishments in Reducing Overpayment		Date
1	The estimated rate of 1.99 percent improper payments and 0.02 percent in unknown payments totals 2.01 percent. The FY 2022 improper payment rate estimate of 1.99 percent for this program is less than the target reduction rate of 2.97 percent from FY 2021.	Oct-22

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Goals towards Reducing Overpayments		Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1	Reducing the IP and UP estimates	On-Track	Sep-23	1 Recovery Activity	504 loans are usually reviewed prior to disbursement; resolution of improper payments occurs by obtaining additional documentation or through cancellation of the loan. There is no monetary outlay at approval, and thus no loss to the Federal Government.	All improper payments identified as a result of the FY 2022 PIIA reviews have been resolved through obtaining additional documentation, loan modification, or cancellation of the loan

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$199M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	SBA identified the primary root cause as Statutory Requirements of Program Were Not Met. In order to fit into categories in the OMB data-call, SBA identified a secondary root cause as Inability to Access Data/Information. SBA maintains that the primary root cause is correct	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	Improper payments identified through the annual improper payment reviews in 504 loan guaranty approvals are resolved through obtaining additional documentation, loan modification, or cancellation of the loan.