

Payment Integrity Scorecard

Program or Activity

7(a) Loan Guarantees Approvals

Reporting Period

Q4 2023

FY 2022 Overpayment Amount (\$M)*

\$298

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



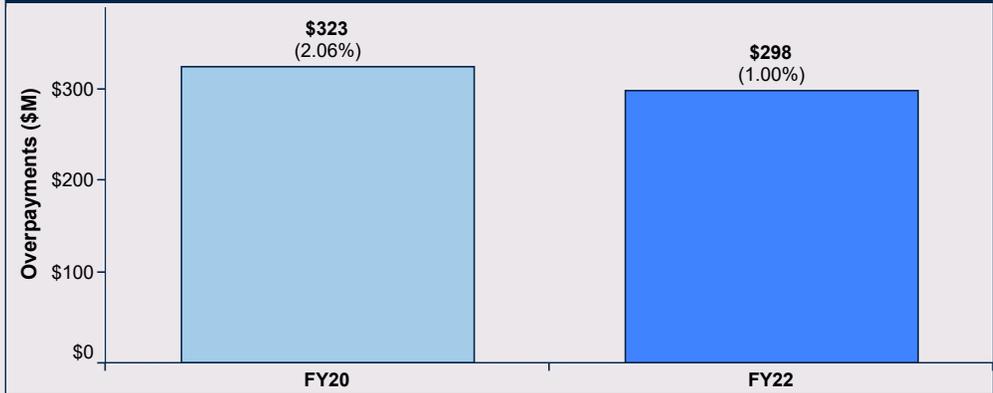
SBA

7(a) Loan Guarantees Approvals

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

The SBA offers government guaranties on loans (up to \$5 million) made by lenders to help expand access to capital for business owners who face challenges getting approved for financing. The 7(a) Loan program is the SBA's most common loan program. The SBA guaranties a portion of 7(a) loans made and administered by commercial lending institutions. Approximately 80 percent of 7(a) loans are approved by Lenders under their delegated authority. Loans can be guaranteed for a variety of general business purposes, including short- and long-term working capital, capital to refinance current business debt, and capital for specific business expenditures.

**Historical Payment Rate and Amount (\$M)
(Overpayment as Percentage of Total Outlays)**



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

To reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan has been developed for the 7(a) loan guaranty approval centers. Specific corrective actions are determined based upon the primary reason for the error with the purpose of both remedying the error and to prevent recurrence. Plans for improvement include the following: 1. Collaborating with the lender oversight office to provide specific lender deficiencies for further monitoring and potential incorporation into Risk Based Reviews; 2. Collaborating with the SBA loan and lender policy office to share information on issues identified for potential incorporation into or change in policy, regulatory, or standard operating procedure rewrite or update; and 3. External training for lenders on policy requirements governing eligibility, and appropriate loan structure.

Accomplishments in Reducing Overpayment

Date

1	The SBA has achieved a reduction in the improper payment rate. The percent improper payments for Fiscal Year 2021 was 2.03%. The percent improper payments for Fiscal Year 2022 was 1.00%. This is a significant reduction in total improper payments.	Jun-23
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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 To reduce the occurrence of future improper payments, a Corrective Action Plan has been developed. The Office of Financial Program Operations (OFPO) will share the loan level and lender deficiencies identified during the reviews with the lender oversight office and the loan and lender policy office, ensuring lender deficiencies are monitored and potentially incorporated into Risk Based Reviews and policy rewrites and updates.	On-Track	Sep-23	1 Recovery Activity	To reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan has been developed. Specific corrective actions are determined based upon the primary reason for the error with the purpose of both remedying the error and to prevent recurrence.	All improper payments identified have been resolved through recommendations to reduce or cancel the loan guaranty and/ or referral to other offices.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$298M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	(1 of 3) SBA does not make loans directly to borrowers: SBA provides a guaranty to a lender which makes the loan to a borrower. SBA delegates authority to certain lenders to process, close, service, and liquidate certain 7(a) loans without prior SBA review.	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	(1 of 3) SBA conducts training for lenders on SBA's Standard Operating Procedures. Training specifically addresses root causes for improper payments.
		(2 of 3) Approximately 80 percent of 7(a) loans are approved by lenders under their delegated authority. At the time of loan approval, no monies are disbursed. Improper payments identified during loan review result in no monetary loss to the government.	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	(2 of 3) All improper payments have been resolved through recommendations to reduce or cancel the loan guaranty and/ or referral to other offices. Internal collaboration with the lender oversight office to provide specific instances of lender non-compliance.
		(3 of 3) Lender failed to verify loan program eligibility of borrower's affiliated business entities. Lender failed to obtain a UCC lien on the assets that were acquired with SBA loan proceeds. Lender allowed proceeds to finance a business purchase in excess of appraisal.	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	(3 of 3) SBA also collaborates with its loan and lender policy office, providing that office with issues that may require changes to or incorporation into policy.

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