



**U.S. Small Business Administration**

**TESTIMONY of**

**MARIA CONTRERAS-SWEET**

Administrator

U.S. Small Business Administration

**U.S. Senate Committee on Small Business and Entrepreneurship**

Thursday, May 26, 2016

Thank you, Chairman Vitter, Ranking Member Shaheen, and members of this committee for the opportunity to testify about our progress on the 7(a) Loan Guaranty program.

I was last before this Committee for my confirmation hearing. I'm grateful for this opportunity to reflect on the progress we have made together over the past two years. We can all be proud of the accomplishments made in that time – in our 7 (a) program and throughout the SBA. Your bipartisan efforts for the American entrepreneur are yielding tremendous dividends.

As you may recall, SBA had such a record year in 2015 that we ran up against our statutory lending cap before the end of the fiscal year. This committee worked together to pass a \$4.75 billion dollar increase in our 7(a) authority and usher its passage onto the Senate floor.

Your thoughtful and swift action allowed small businesses across the country to continue to access the capital required to launch and grow. Without your leadership, a key component of our nation's job-creating engine would have ground to a halt.

Instead, we reached historic levels for small business lending. I'm particularly proud to report significant increases in 7(a) lending to Americans who typically struggle most to access capital. During my tenure, 7(a) loans are up 47 percent to women, 32 percent to veterans, 75 percent to African-Americans, 50 percent to Hispanics, 30 percent to Asian Americans and Pacific Islanders, 18 percent to Native Americans and 41 percent to rural entrepreneurs.

These gains are more important than ever. As our national economy continues to rebuild from the Great Recession, SBA backed loans are creating jobs and rebuilding communities. Currently, conventional small business lending is only at 84 percent of pre-recessionary levels, which creates a \$58 billion shortfall as compared to 2008. At the SBA, we are working hard to fill that gap by supplementing – not supplanting – the private capital markets.

As a former entrepreneur, community lender and state banking regulator, I take the stewardship of this agency very seriously. We've been able to achieve record 7(a) lending levels while administering the program at zero taxpayer subsidy for three consecutive years. We're now at zero subsidy for our 7(a), 504 and SBIC programs. Our purchase rate – or default rate – on 7(a) loans is 1.47 percent. That's the lowest since the SBA began tracking the number.

From my very first days in office, I have prioritized the need to modernize SBA operations to respond to the technological, demographic and market changes that are transforming our small business economy.

We've updated our lending partner platforms by bringing advances such as automation, digital signatures, and online matchmaking to the entrepreneurs we serve. No longer do small banks need to pore over complex federal regulations to make an SBA loan. SBA One leads lenders through an online, Turbo Tax-like interface, making the process simpler and giving comfort that the loan will qualify for the guarantee if the borrower should ever default. These enhancements have encouraged community bankers, CDFIs, and credit unions across the country to commence or increase SBA lending.

At the same time, technology allows us to exercise the vigilant oversight required to manage risk most effectively.

With our PARRiS risk-based review system, SBA's Office of Credit Risk Management uses 22 data points to evaluate lenders. As part of PARRiS, we measure the financial health of every 7(a) borrower in every lender portfolio in the country four times each year. We also track each lender's historical default rate, stressed loan rate, projected lender purchase rate, and the industry concentration of their portfolio, among other metrics. PARRiS gives us a real-time view into the health of each lender as well as the overall SBA loan guarantee portfolio. Additionally, it serves as an early warning system to flag lenders for onsite, in-person reviews that OCRM oversees across the country.

Through SBA One, lenders have full access to their PARRiS ratings, allowing them to measure themselves against their peers and see how their SBA portfolios are performing. And with our non-delegated loans, SBA One provides new and improved data to help identify both trends and outliers.

I've been on the job at SBA for just over two years, and I'm proud of the progress we have made in that time – in our 7 (a) program and throughout the agency. This success would be impossible without the support of the members of this Committee and your staff and of our program's strong public-private partnership. We communicate consistently with our partners and NAGGL to find more efficient ways to carry out our shared mission.

And while small businesses do care about access to capital – which is why I thank you on their behalf for your swift action last year – the refrain we hear most often is that America's entrepreneurs want regulations to get out of the way of doing business.

At SBA, we listened and created Start Up in a Day, enlisting more than 80 cities to streamline their permitting for small businesses.

We listened and launched LINC, an online platform that connects borrowers to lenders. To date, LINC has made more than 35,000 matches.

We listened and established the Small Business Technology Coalition in partnership with Amazon, Box, Facebook, LegalZoom, Microsoft, Salesforce and others. Together, we are helping America's small enterprises get the know-how and access to training they need to thrive.

We helped the federal government award the highest percentage of contracting dollars to small businesses in history, totaling \$91 billion dollars last year alone. And, for the first time since the goal was established, we exceeded the contracting target for Women-Owned Small Businesses.

Our Office of Investment and Innovation has led the effort to inject record levels of capital into small businesses through the Small Business Innovation Research program. And our Small Business Investment Company program has grown by 10 percent to \$25 billion dollars including both federal and private dollars.

SBA's Office of International Trade helped us achieve \$1.4 billion dollars in SBA export financing last year, which is an increase of 8.4 percent in just one year. Our resource partners' served more than 1 million businesses, providing high-quality counseling to entrepreneurs in communities across the country.

Since 2013, we have helped more than 20,000 transitioning military service members to embrace their entrepreneurial dreams, and we've now launched Boots to Business: Reboot entrepreneurial training workshops to help for veterans.

We initiated the InnovateHER campaign to champion the next generation of women disruptors in the hi-tech space. We've trained more than 5,800 entrepreneurs on how to compete for federal awards through ChallengeHER.

We have never performed better. We've never touched more American lives. I'm very proud to work alongside the incredible SBA staff who have dedicated themselves, tirelessly, to achieving these record numbers.

I look forward to continuing to partner with this Committee to deliver these essential programs to America's small businesses.

Thank you.

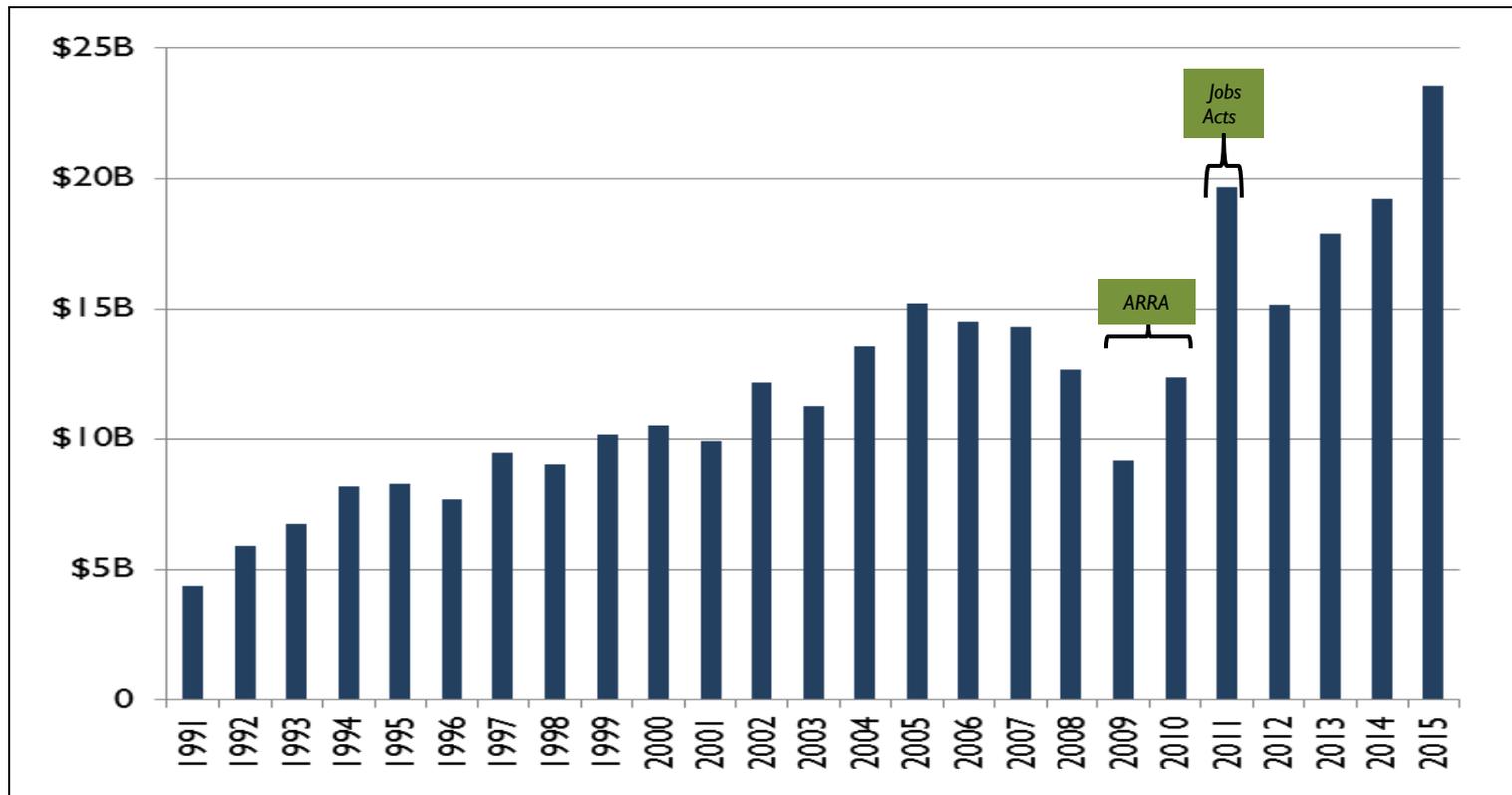


Senate Committee on Small Business and Entrepreneurship  
Oversight of the SBA's 7(a) Loan Guaranty Program  
May 26, 2016

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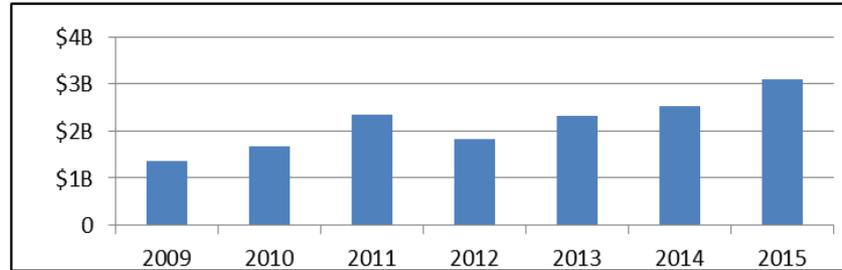
*Data as of 04/30/2016*

## 7(a) Gross Approvals by Fiscal Year

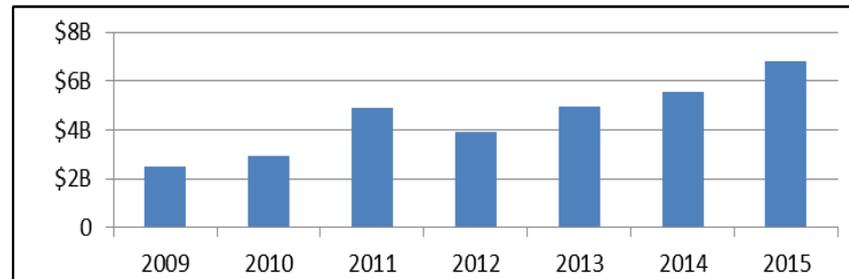


# 7(a) Underserved Lending

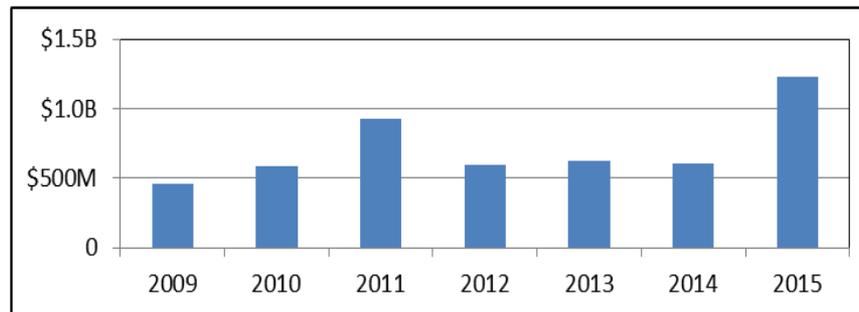
## 7(a) Loans to Women Owned Businesses (50%+)



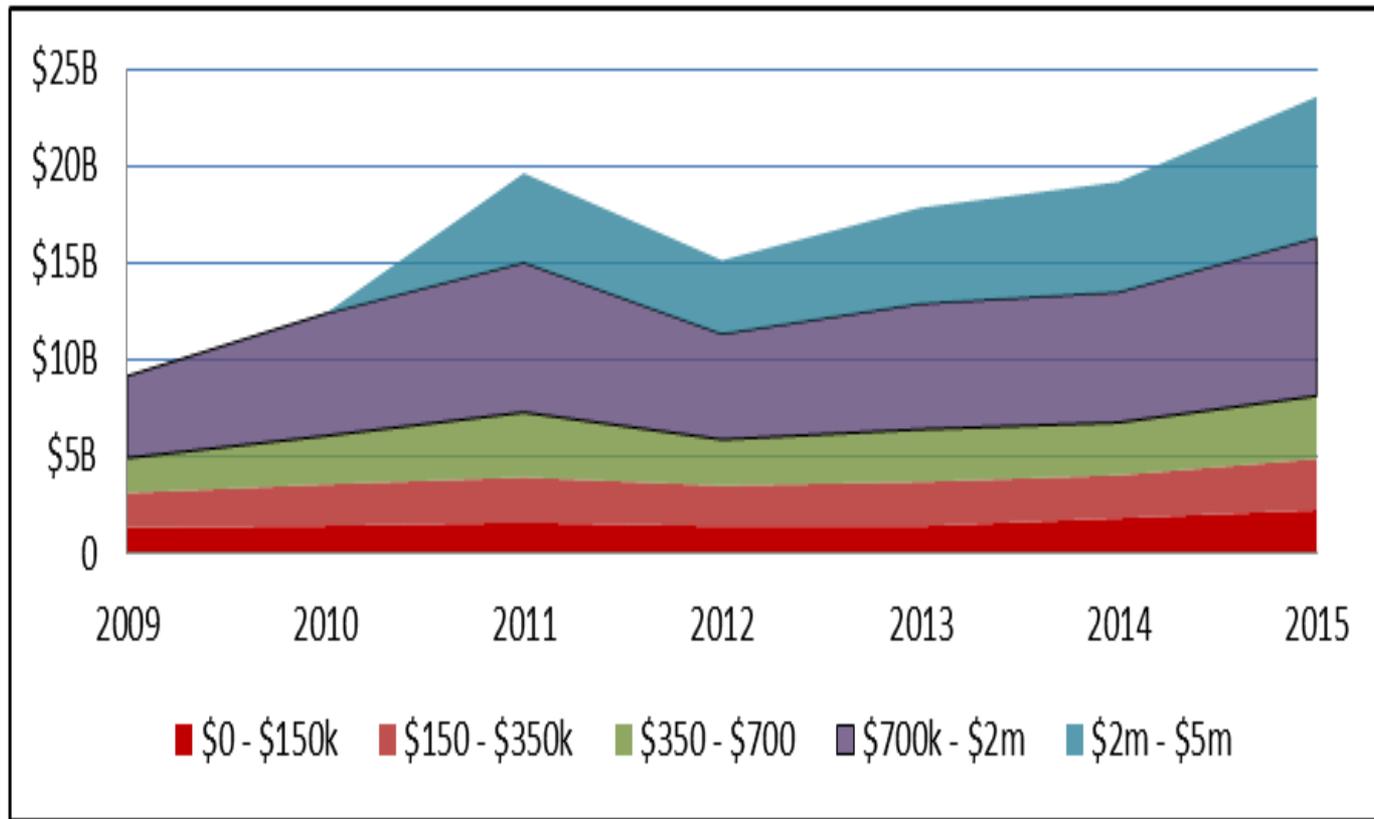
## 7(a) Loans to Minority Owned Businesses



## 7(a) Loans to Veteran Owned Businesses

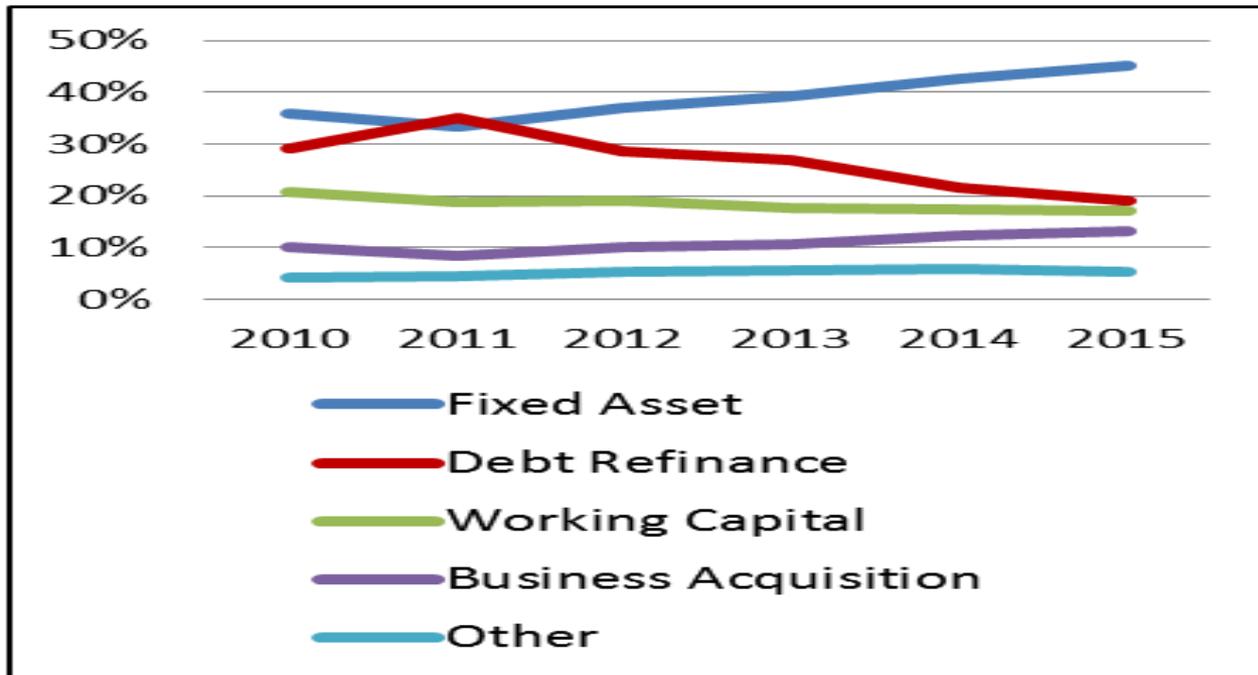


## 7(a) Loan Approvals by Loan Size



# Percent of 7(a) Lending By Use of Proceed

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# Secondary Market

FISCAL YEAR	GROSS DOLLARS APPROVED* (\$ in 000)	LOANS SOLD** (\$ in 000)	%
2010	\$12,423,950	\$3,714,962	30%
2011	\$19,703,093	\$4,812,792	24%
2012	\$15,256,309	\$4,358,504	29%
2013	\$18,061,326	\$5,259,142	29%
2014	\$19,446,387	\$6,102,079	31%
2015	\$23,884,455	\$7,018,289	29%
* Approved loans include lines of credit which cannot be sold.			
**Loans Sold lists Guarantee Amount - % Sold approx 10% higher than computed amount.			
Source: Colson Services Corp, SBA Loan Program Performance, Tables 1-3			

**SBA**

SBAOne

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# My Workspace


My Workspace
Loan Origination ▾
Modification & Servicing ▾
Guaranty Purchase ▾
PARRIS
Documents

? Help
👤 Contact Us
43 PARRIS Score
🔧 Utilities
Welcome Surya Prakash ▾

## Welcome Lenders!


 Lenders play a vital role in helping SBA achieve its mission in helping small businesses start and grow across the United States. Our For Lenders home page provides lenders with the resources they need to issue SBA loans today!

[Click here..](#)



### Our Loan Pipeline (Location Id: 9551)

Business Legal Name	Loan Number	ETran Application #	Created By	Status	Created Date	Action
TestAutoJenkinScript			Arun Kumar Korasane	Application In-Process	03 Dec, 2015	
test			Ajay Pandey	Application In-Process	26 Nov, 2015	

### My Alerts

<p><b>0</b></p> <p>Applications returned from E-Tran with Errors</p> <p>TODAY</p>	<p><b>0</b></p> <p>Applications awaiting Signatures</p> <p>TODAY</p>
<p><b>0</b></p>	<p><b>0</b></p>

# Create New Loan: Guided v. Expert Path

The screenshot displays the SBA One web application interface. At the top left is the SBA One logo. The navigation bar includes 'My Workspace', 'Loan Origination' (highlighted in teal), 'Modification & Servicing', 'PARRiS', 'Guaranty Purchase', and 'Documents'. A search bar labeled 'Document Search' is on the right, along with icons for Help, Contact Us, PARRIS Score (39), Utilities, and a user profile for 'Chris'.

Below the navigation bar, the text 'Loan Modification' is visible. The main section is titled 'Our Loan Pipeline (Location Id: 61400)'. It features a funnel chart showing the loan pipeline stages: 222 LOANS, 3 PRIMARY ELIGIBILITY (highlighted in teal), 103 ELIGIBILITY, 35 TERMS & CONDITIONS, 1 AUTHORIZATION, 71 UNDERWRITING, 4 CLOSING, and 5 DISBURSEMENT. Below the chart is a search bar with fields for 'Business Legal Name', 'SBA One Ref #', 'ETran Application #', and 'Status'.

A table lists the loan entries:

Business Legal Name	Loan Number	ETran Application #	Created By	Status	Created Date
Joseph McDonald's Hot Dogs			Carl Mirrer	Application In-Process	14 Dec, 2015
Hawaii Candies			SBA Account	Application In-Process	03 Nov, 2015
Sheri's Test Loan			SBA Account	Application In-Process	03 Nov, 2015

A modal dialog box is open on the right side, titled 'Create New Loan'. It contains two options:

- GUIDED PATH** (selected): Use this path if you know it has to go to the LGPC, the deal is complicated, or if you have only done this a few times.
- EXPERT PATH**: Use this path if you don't need help / can do this in your sleep, and you know that it will go PLP or Express.

The dialog has 'Ok' and 'Cancel' buttons at the bottom.

# Eligibility Check

## PRIMARY ELIGIBILITY

### Borrower Information

\* Small Business Borrower Legal Name (Applicant): 

ABC Company (Demo)

\* Is the Applicant the Operating Concern/Beneficiary of the Loan (except for loans to Eligible Passive Companies)? 

Yes  No

\* Is the business organized for profit?

Yes  No

\* Is the business located in the United States?

Yes  No

Sorry, but because of the response to the following question, it looks like ABC Company (Demo) is not eligible for any SBA 7(a) Loans.

Is the business organized for profit?

Modify Answer

Exit Application



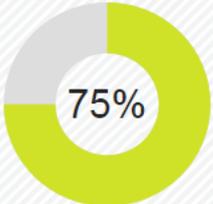
# Help Features



My Workspace **Loan Origination** Modification & Servicing PARRiS Guaranty Purchase Documents

Loan Pipeline > Abc Test

**Primary Eligibility**



75%

3 of 4  
Pages Completed

**PRIMARY ELIGIBILITY**  
**Borrower Information**

\* Purpose of loan is not to provide or to refinance funds used for payments, distributions, or loans to Associates of the Applicant, or to a Small Business Investment Company [?](#)

Yes  No

Loan must be used for an identifiable business purpose.

\* Loan is for a purpose that will benefit the small business. [?](#)

Yes  No

\* No loan funds will be used to pay delinquent IRS withholding taxes, sales taxes or other funds payable for the benefit of others. [?](#)

Yes  No

[Back](#) [Continue](#)

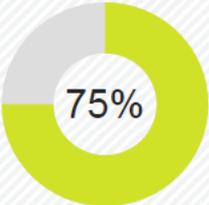
Powered By **BNY MELLON**

# Automated Form Building

My Workspace **Loan Origination** Modification & Servicing PARRiS Guaranty Purchase Documents

Loan Pipeline > Abc Test

### Primary Eligibility



75%

3 of 4  
Pages Completed

### PRIMARY ELIGIBILITY Borrower Information

\* Purpose of loan is not to provide or to refinance funds used for payments, distributions, or loans to Associates of the Applicant, or to a Small Business Investment Company [↗](#)

Yes  No

Loan must be used for an identifiable business purpose.

\* Loan is for a purpose that will benefit the small business. [?](#)

Yes  No

\* No loan funds will be used to pay delinquent IRS withholding taxes, sales taxes or other funds payable for the benefit of others. [↗](#)

Yes  No

[Back](#) [Continue](#)

Powered By **BNY MELLON**

# View E-Tran Response

The screenshot displays the SBA One web application interface. The top navigation bar includes the SBA One logo, a search bar, and user information (Welcome Naresh). The main navigation menu contains: My Workspace, Loan Origination, Modification & Servicing, PARRiS, Guaranty Purchase, and Documents (highlighted in purple). The page content shows a loan named 'NKA 1022' with a '7a PLP(10405)' document. A table of actions is visible, with the 'E-Tran Response' button highlighted in a red box. An error message window is overlaid on the bottom left, displaying the text: 'Error Messages(1) Recieved at 11/16/2015 03:53:40'.

Form Name	DocuSign Status	Created By	System/Manual	Actions
				<a href="#">Validate E-Tran</a> <a href="#">Submit To E-Tran</a> <a href="#">E-Tran Response</a>

# E-Signature: Signer Info Verified Via Lexis Nexis

From:  SBA One  
BNY Mellon

## ID Check - Personal Information

**Enter your home address. This information, along with your name will be used to generate a list of questions to verify your identity.**

### Required Information (Home Address)

Elaine jessamine

Street 1:  \*

Street 2:

City:  \*

State:  \*

Zip:  \* -

### Optional Information

Last 4 digits of SSN:

Date of Birth:  /  /

mm / dd / yyyy

CANCEL

NEXT

**SBA**

PARRiS

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SBA One

Document Search

Help Contact Us PARRiS Score **37** Utilities Welcome **sbaonedemo**

My Workspace   Loan Origination ▾   Modification & Servicing ▾   **PARRiS**   Guaranty Purchase ▾   Documents

## PARRiS Scorecard

2015 FIRST QUARTER

**37**



SCORE < 30 (Preferred)   30 - 43 (Acceptable)   44 - 75 (Less than Acceptable)

VIEW ALL

**P**ERFORMANCE

**A**SSET MANAGEMENT

**R**EGULATORY COMPLIANCE

**R**ISK MANAGEMENT

**S**PECIAL ITEMS

COMPARE WITH PEERS

SCORE RANGE

Current Quarter  
 History

Export to Excel   Export to PDF

PARRiS Risk Categories	PARRiS Risk	Lender Rates	No. of Points
Performance	5 Year Cumulative Net Yield	-0.8%	3
	12 Month Default Rate	0.0%	1
	5 Year Default Rate	1.8%	3
Asset Management	Stressed Rate	0.7%	3
	Early Problem Loan Rate	0.0%	1
	High Risk Origination Rate	16.3%	3
Regulatory Compliance	1502 Reporting Rate	100.0%	1

SBA One		My Workspace	Loan Origination ▾	Modification & Servicing ▾	PARRiS	Guaranty Purchase ▾	Documents	🔍	?	👤	37	⚙️	Hi ▾	
COMPARE WITH PEERS														
	SCORE RANGE													
Asset Management		5 Year Default Rate	1.8%	3										
	Stressed Rate	0.7%	3											
	Early Problem Loan Rate	0.0%	1											
	High Risk Origination Rate	16.3%	3											
Regulatory Compliance	1502 Reporting Rate	100.0%	1											
	Loans in Active Default Status over 3 Years Rate	100.0%	5											
	24 Month Repair/Denial Rate	0.0%	3											
Risk Management	FDIC Total Risk-Based Rate (*)	13.2%	1											
	Non-Performing Asset Ratio	7.9	1											
	Lender Purchase Rating	2	1											
Special Items	Average SBPS (weighted)	159.0	5											
	Recovery Rate (Over last 5 years)	8.6%	5											
	Has Prudential Regulator (Preferred) / No Corrective Action Request (Preferred)	Preferred	1											
											<b>Total Number of Points</b>	<b>37</b>		

# PARRiS

## Performance

5 Year Cumulative Net Yield



SCORE < 30 (Preferred)



30 - 43 (Acceptable)



44 - 75 (Less than Acceptable)

Loan Number	Numerator	Borrower	Approval Date	Approval Amount
0243152868	\$131,288.00	JOWPUFDI NGH	12/20/1990	\$150,000.00
6886857880	\$3,480.00	QIJMMJQT 66 USVDL TUPQ	02/07/2006	\$220,000.00
4647907886	\$1,056.00	UFYBT TNPLFIPVTF MMD	06/07/2006	\$205,000.00
4649337885	\$2,596.00	UFYBT TNPLFIPVTF MMD	06/07/2006	\$155,000.00
4154227885	\$934.00	TVQFSJPS MFHESJWF	09/06/2007	\$50,000.00
2609659886	\$3,239.00	TXJTIFS UJSF BOE GVFM MMD	07/02/2008	\$350,000.00
2837627887	\$6,975.00	K DSBJH LJOH EWN QB FRVJOF	12/04/2007	\$395,000.00
2656169884	\$17.00	LFFUFST NFBU DPNQBOZ MMD	07/29/2008	\$35,000.00
2242149889	\$3,037.00	FBTU QPJOU NBSLFU	02/20/2009	\$175,000.00

Export to Excel

Export to PDF

