



## Agency Priority Goal Action Plan

# Expand Capital to Small Businesses in Socially and Economically Disadvantaged Urban Communities and Rural Areas

### Goal Leaders:

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# Overview

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## Goal Statement

- Entrepreneurs in emerging markets do not have access to adequate capital to start or grow their business. By September 30, 2019, increase the number of loans by 5 percent to small businesses in socially and economically disadvantaged urban communities and rural areas (FY 2017 baseline of 25,475 loans)

## Challenge

- Few lenders (banks, credit unions, community financial institutions) locate in depressed inner cities or rural areas
- The consolidation of lenders nationwide has reduced the accessibility of capital to small businesses

## Opportunity

- SBA lender relations specialists located in 68 district offices throughout the country will facilitate the availability of information to small businesses and lenders with a focus on these emerging markets
- Through online lending, streamlined loan processes, and new technology connecting lenders to small businesses, more entrepreneurs will be able to access capital

# Leadership

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## Core Team:

- Office of Capital Access
  - Associate Administrator/Deputy Associate Administrator
  - Office of Financial Assistance, Director (Policy)
  - Office of Financial Program Operations, Director (Loan Processing)
  - Office of Performance System Management, Director (Data and Systems Management)
- Office of Business and Economic Development (OBED)
  - Associate Administrator/Deputy Associate Administrator
  - Regional Administrators
  - District Directors
  - Lender Relation Specialists
- Office of Marketing and Communications (OMC)
  - Associate Administrator/Deputy Associate Administrator
  - Regional Communication Directors

# Goal Structure & Strategies

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- Create effective marketing materials for lending partners and refine these materials as part of broader field alignment with district offices.
- Ensure consistent and timely deployment of information through district offices to lender relation specialists when policies are updated.
- Develop and deploy regular training for district office lender relation specialists
- Build support from trade associations to develop messaging to lenders and small businesses on SBA loan products.
- Support capacity of Certified Development Companies (CDCs), Community Development Financial Institutions (CDFIs), and microlenders in depressed urban communities and rural areas where SBA lending penetration has been historically weak or inconsistent.

# Goal Structure & Strategies

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## External Factors and Mitigation Strategies

- Entrepreneurs may not be aware of SBA loan products; therefore, SBA district office lender relation specialists will need to focus attention on emerging markets
- Marketing materials may not reach or educate entrepreneurs or lending partners; SBA will assess and revise marketing materials as appropriate
- District offices may not retain a lender relation specialist and need to retrain; consistent and regular training will be necessary

# Key Indicators

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Key Indicator: Number of 7(a), 504, and Microloan approved loans to socially and economically disadvantaged urban communities and rural areas

- Number of approved loans
  - FY 2019 Target = 26,749 loans
  - FY 2017 Baseline = 25,475 loans

The Agency Priority Goal will increase by 5% in FY 2019 over the number of loans made during FY 2017. Progress will be tracked on both an aggregate basis nationwide, as well as at the regional and district office level. The number of loans necessary to reach the goal will be identified as well as the current status each month.

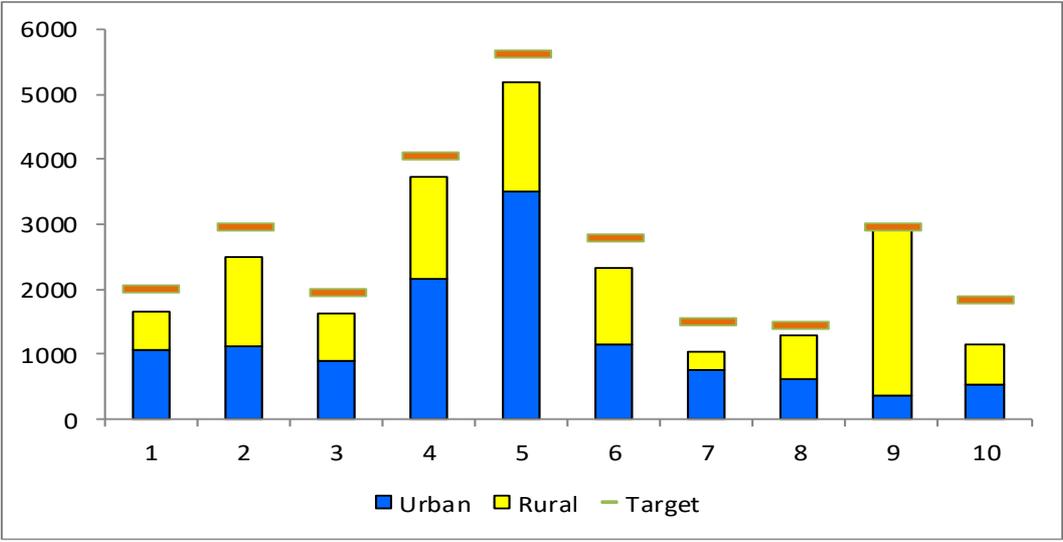
# Summary of Progress – FY 2018 Q4

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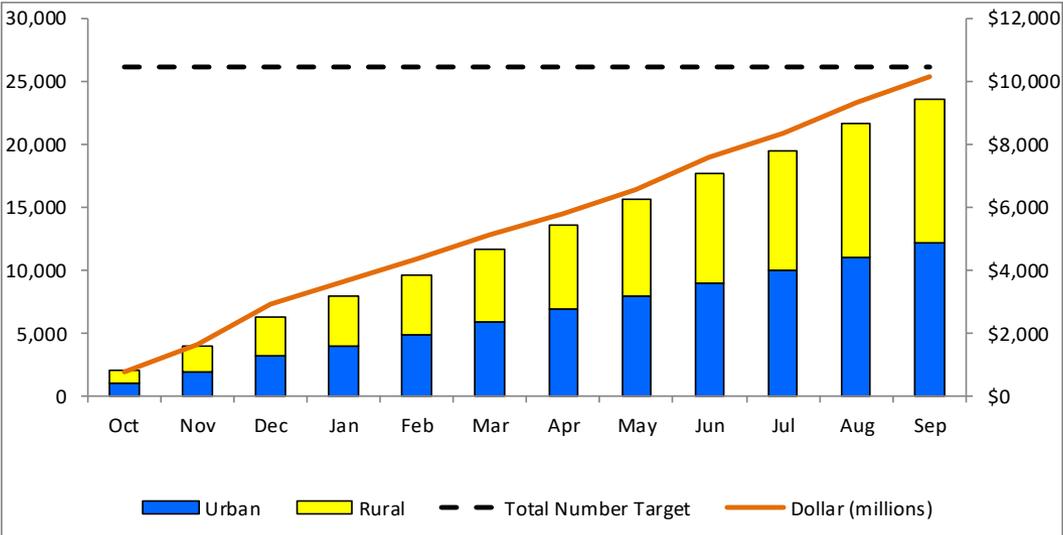
- Achieved 88% of the total number of loans FY 2019 target (26,749). Regions 4, 5, and 9 have supported 51% of the total number of urban (HUBZone) and rural loans. All regions have achieved 63-101% of their target. The total includes 7(a) loans, 504 loans and Microloans (see charts in following slides).
- Approved 23,497 urban (HUBZone) and rural loans toward the midpoint FY 2018 goal (26,075 loans) for \$10.1 billion. (see chart in following slides)
- Approved \$25.4 billion in 7(a) loans, \$4.8 billion in 504 loans, and \$72.2 million in microloans. (see charts in following slides)
- Established and published the 504 Loan Rural Pilot Program and Guide effective in July 2018. The SBA hosted a roundtable with lenders to discuss rural initiative.
- Conducted cross training events, **as part of the SBA-USDA MOU follow-up**, with SBA and USDA field staff on their respective loan programs.
- Created a joint loan product matrix for USDA and SBA field staff.
- Completed marketing materials for first nationwide uniform Lender Toolkit.

# Key Indicators

**Number of urban (HUBZone) and rural loans by SBA region**

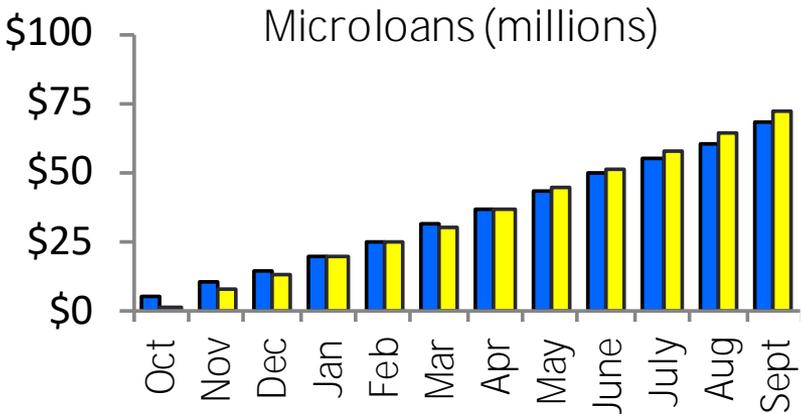
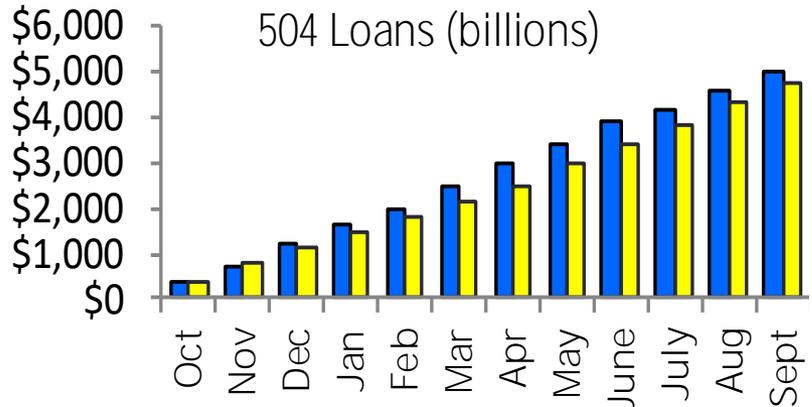
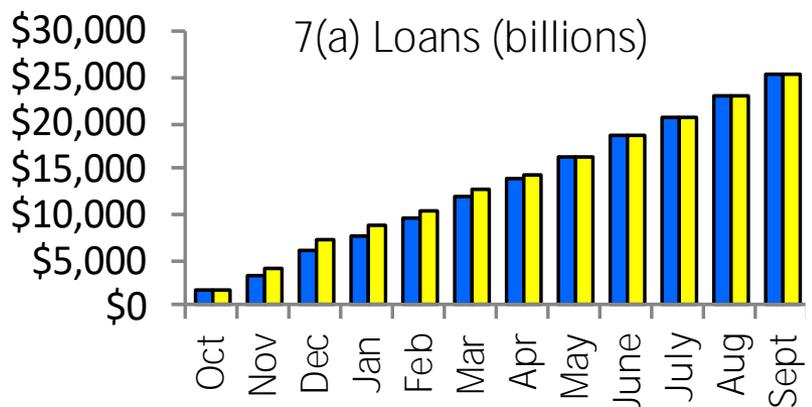


**Cumulative number and dollar of urban (HUBZone) and rural loans**



# Key Indicators

## Cumulative loan dollars approved by SBA programs



FY17 FY18

# Key Milestones

The SBA will follow three strategies: 1) educate and train lender relation specialists with emphasis on socially and economically disadvantaged urban communities and rural areas, 2) develop new marketing materials, and 3) educate and train lenders on SBA loan products.

Milestone Summary				
Key Milestone	Milestone Due Date	Milestone Status	Owners	Comments
<b>FY18 Q4:</b> Assess progress and adjust plan, marketing materials, and training	7/31/18	On track	OCA/OBED/OMC	Completed
<b>FY19 Q1:</b> Review FY18 progress, lessons learned, and adjust plan, marketing materials, and training to maximize FY19 lending	10/31/18		OCA/OBED/OMC	
<b>FY19 Q2:</b> Assess progress and adjust plan, marketing materials, and training, if necessary	2/28/19		OCA/OBED/OMC	
<b>FY19 Q3:</b> Assess semiannual FY19 progress and adjust plan to reach goal in remainder of FY19	4/30/19		OCA/OBED/OMC	
<b>FY19 Q4:</b> Determine progress and make final adjustments necessary to achieve the goal	7/31/19		OCA/OBED/OMC	

# Data Accuracy and Reliability

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Loan data for 7(a), 504, and Microloans comes from SBA's Electronic Transactions (Etran) used for accounting entries. The data is uploaded to the mainframe Loan Accounting System (LAS), and then data files are created by the Office of the Chief Information Officer into an original gross amount ("Orig Gross Amt") field.

Loan data from Microborrowers is captured by SBA's systems at the time of SBA loan approval when budget funds are allocated to the loan approval number; for loans to small businesses, data is captured when the intermediary enters information into the MPERS system (Micro Loan Electronic Reporting System).

The number of unique lenders who have made an SBA guaranteed loan since October 1 of a fiscal year is zeroed at the close of the fiscal year and begins to count up again as lenders make loans in the following fiscal year.

Loans are sorted by zip code and then categorized based on location to determine communities that are socially and economically disadvantaged urban areas and rural areas. The SBA uses HUBZone definitions to define urban areas and the US Department of Agriculture definition for rural areas.

# Additional Information

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## Contributing Programs

- SBA Office of Capital Access
  - 7(a) loan program
  - 504 loan program
  - Microloan program
- SBA Office of Business and Economic Development
  - District Directors
  - Lender Relation Specialists
- SBA Office of Marketing and Communications
- Commercial lending partners (banks, credit unions)
- Certified Development Companies
- Community Development Financial Institutions
- Microlenders

## Stakeholder / Congressional Consultations

The SBA met with authorizing and appropriating committees in Congress to review its FY 2018-2019 Agency Priority Goals. It conducted outreach and incorporated comments from lender trade associations.