

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

SBA's Pilot Programs To Improve Guaranty Loan Procedures Need Further Development

The Small Business Administration is testing two pilot programs to expedite application for, review, and approval of 7(a) guaranty loans. Although these programs are directed to the problems which are most troublesome to small businesses and lenders, GAO believes they need additional work to be fully effective.

One program addresses the problems of slowness in obtaining a guaranty loan but does little to expand participation among lenders and does not provide for monitoring of certified banks' performance. The other program has shortened loan application and review time in one SBA region but has not yet been adopted agencywide.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the Small Business Administration's pilot programs to improve delivery of the guaranty loan program.

The report shows that small businesses and lending institutions are concerned with the time the Small Business Administration takes to review loan applications and the complexity of paperwork required. Two pilot programs the agency is testing to address these problems have shortcomings which need to be overcome.

We are sending copies of this report to the Director, Office of Management and Budget; and the Administrator, Small Business Administration.

James A. Staats
Comptroller General
of the United States

D I G E S T

The 7(a) business loan program is the Small Business Administration's (SBA's) principal activity for providing financial assistance to small businesses. Through this program, SBA both makes loans directly to small businesses and guarantees loans made by others. In recent years, the program has emphasized guaranty loans whereby SBA guarantees the repayment of loans made to small businesses by private lending institutions.

According to GAO surveys, the major cause of dissatisfaction among business owners, lenders, and SBA personnel is that it takes too long to obtain a guaranty loan. Small businesses receiving SEA loan guarantees indicated that an average of 114 days passed from their first contact with a lender until the loan funds were received. Responses from businesses and lenders with direct experience in the loan program indicate that the underlying causes of the time problem are in the number and complexity of the documents required to apply for a loan and in the time required for SEA's review of those documents. (See pp. 10-17.)

SBA has been testing two pilot programs to expedite the processes for application and approval of a guaranty loan.

--The bank certification program aims to shorten the time required for SEA to review and approve guaranty loan applications. SBA is able to provide quicker decisions under the bank certification program by relying on certified banks' determination of a prospective borrower's creditworthiness. (See pp. 6-7.)

--The operation effectiveness program is designed to reduce the number and complexity of the application documents required for guaranty loans. (See p. 8.)

SBA REVISIONS ARE ON
TARGET BUT INCOMPLETE

Both programs appear promising in shortening the time and simplifying the paperwork required to obtain a guaranteed loan. SBA has directed these programs to the two primary problems that are discouraging both eligible small businesses and banks from greater participation in the guaranty loan program.

SBA's primary initiative, the bank certification program, addresses only one aspect of the problem of slowness in obtaining guaranty loans, the amount of time SBA uses to review loan applications. Many borrowers spend extensive time learning about the loan program and finding a lender willing to participate. Broadening participation among banks and other lenders would address this problem, but the bank certification program, as currently structured, does little to do so. In addition, SBA has yet to develop and implement a system to provide audit and oversight of the certified banks' loan portfolios. SBA is negotiating with various bank regulatory agencies to have them include, as part of their normal audits, a performance check of certified banks regarding SBA loans. The need for a system to monitor the performance of the certified banks is especially important now that SBA has the authority to delegate the determination of eligibility and loan servicing and liquidation to lending institutions. (See pp. 17-21.)

The simplified application documents of the operation effectiveness program have shortened loan application and review time in the one SBA region where the program has been tested. However, to date the revised documents have not been adopted agencywide nor have the documents been used for loan applications in the bank certification program. (See p. 21.)

RECOMMENDATIONS

GAO recommends that the SBA Administrator:

- Require that the simplified loan application forms and processing procedures be adopted agencywide.

--Inform banks of SEA's efforts to reduce loan processing time and simplify loan application documents.

--Monitor the activities of the banks operating under the bank certification program to assure compliance with program rules, regulations, and guidelines.

AGENCY COMMENTS

SBA agreed with GAO's report and is taking steps to carry out its recommendations.
(See p. 23.)

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ABBREVIATIONS

GAO	General Accounting Office
SEA	Small Business Administration
FDIC	Federal Deposit Insurance Corporation

CHAPTER 1

INTRODUCTION

The Small Business Administration's (SBA's) principal financial assistance program is the 7(a) Business Loan Program. Through this program SBA makes direct loans, either alone or with a bank, and guarantees loans made by lending institutions. In fiscal year 1979, SBA approved 26,776 7(a) loans totaling about \$3.2 billion. Of these loans, 22,806, totaling about \$3 billion, were guaranteed loans. In recent years, SBA has emphasized guaranty loans.

THE 7(a) GUARANTY LOAN PROGRAM

The Business Loan Program was authorized by section 7(a) of the Small Business Act, as amended (15 U.S.C. 636(a)). The act authorized SBA to make loans to small businesses unable to obtain financing at reasonable rates elsewhere. SBA defines a small business as a firm which is independently owned and operated and meets the small business size standard SBA established for that firm's industry. Certain types of small businesses, such as those engaging in speculative ventures or those earning a portion of their annual income from gambling, are not eligible.

Small businesses often experience problems obtaining financing because their access to equity and bond markets is limited and banks are often reluctant to lend money for long-term financing. SBA recognizes that small business credit needs may require loan repayment terms with extended maturities. SBA's 7(a) program is designed to offer repayment terms and collateral requirements that better fit the borrower's needs than might be obtainable under usual bank policy.

ADMINISTERING THE PROGRAM

SBA administers the 7(a) program through its headquarters office; 10 regional offices; and 96 district, branch, and post-of-duty offices. The district offices, each headed by a director and under the jurisdiction of the regional offices, are responsible for the day-to-day operations of the 7(a) program. Within the district office,

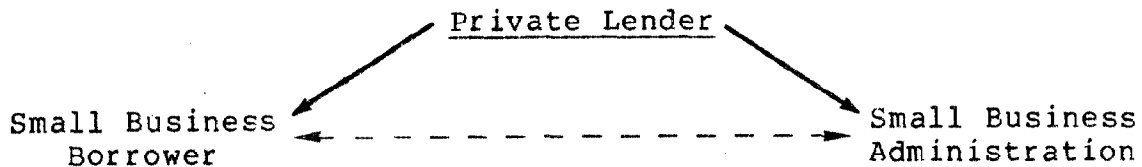
- the financing division is responsible for reviewing loan application packages and recommending loan application approval or disapproval and

--the portfolio management division is responsible for servicing loans, referring loans to the management assistance division, and representing SEA at foreclosures.

Headquarters develops and recommends agencywide program policies, reviews and evaluates program effectiveness, and provides technical assistance to the regional offices.

Operating the guaranty
loan delivery system

The 7(a) guaranty loan delivery system consists of three principal parties--SBA, the small business borrowers, and the private lender. The following diagram depicts their interrelationship.



The private lender, generally a commercial bank, plays the central role in the loan delivery system. Many recipients of 7(a) loans have no direct contact with SBA. The borrower generally learns about his or her eligibility from the lender. The borrower also submits his or her application to, receives the loan funds from, and makes payments to the lender.

Private lenders have initial responsibility for reviewing the loan application. After reviewing the application, the lender forwards the application and supporting documents to the local SBA district office. SBA requires that the application package include (1) the lender's certification that credit is not available elsewhere at reasonable terms and that the lender will not make the loan without the SBA guaranty and (2) the lender's evaluation of loan benefits, the applicant's ability to repay the loan, the adequacy of the collateral securing the loan, and the lender's comments on other pertinent loan information.

SBA has responsibility for determining whether or not a 7(a) loan should be approved. Even though the private lender has evaluated the loan application, SBA requires that its own loan officers perform a detailed analysis of each application. The loan officer's analysis should include a determination of the applicant's eligibility for a 7(a) loan, the applicant's

ability to repay the loan, the adequacy of the collateral pledged to secure the loan, the capability of the applicant firm's management personnel, and the applicant's ability to obtain funds without a guaranty. The loan officer must prepare a report on the results of the analysis and recommend whether the loan should be approved or denied.

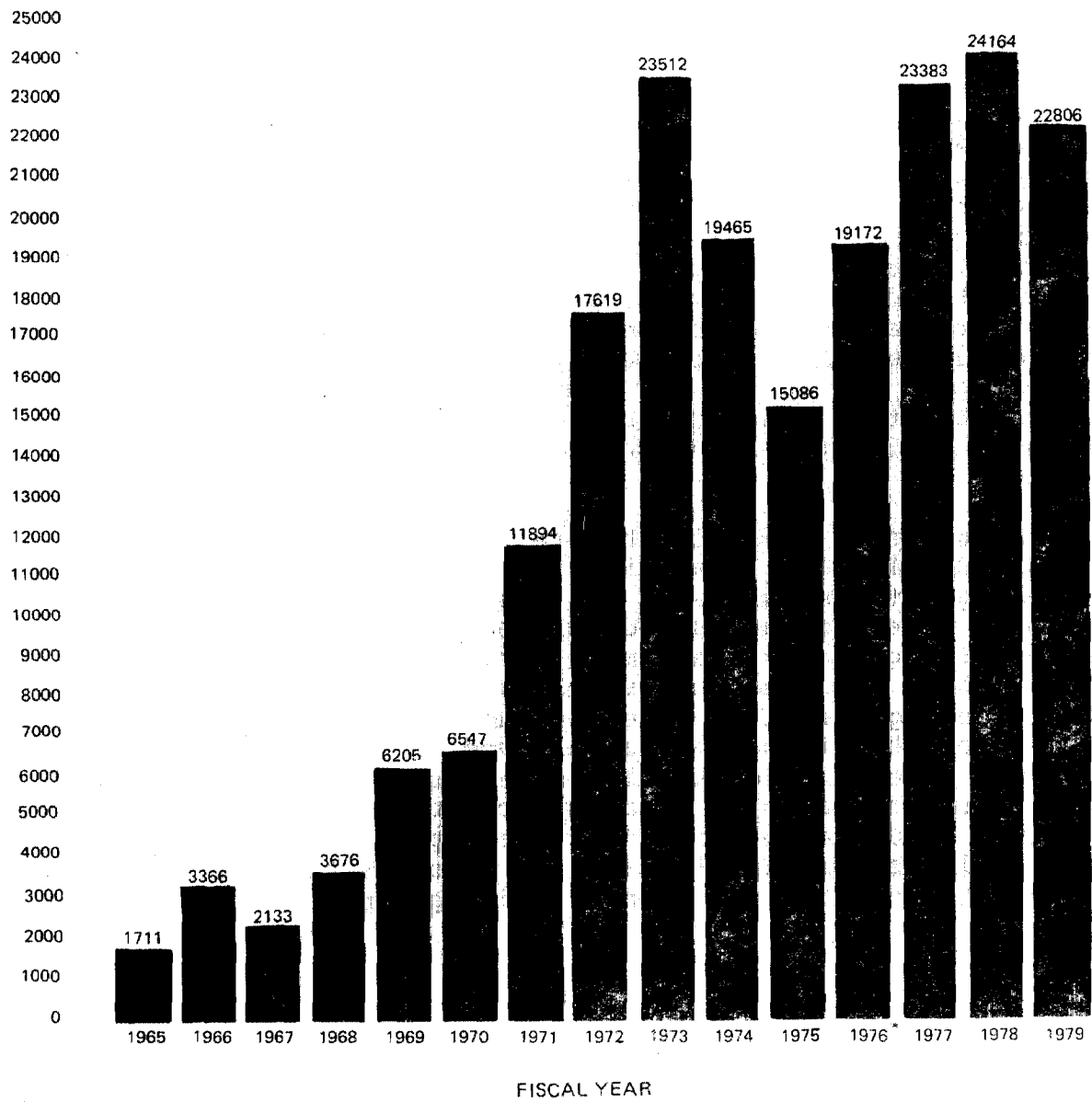
After approving a guaranty loan, the district office notifies the private lender of the approval and provides the lender with the legal documents needed to close the loan. Upon receiving SBA's approval, the lender can disburse the loan funds to the small business borrower.

GROWTH OF THE GUARANTY LOAN PROGRAM

As of September 30, 1979, approximately 105,000 small businesses had outstanding 7(a) loans totaling about \$7.1 billion. In the past few years, most of these loans have been guaranty loans. The Small Business Act of 1953 authorized SBA to make guaranty loans, but it was not until 1963 that SBA began emphasizing the 7(a) guaranty loan program. A 1963 plan developed by the Interagency Committee on Federal Credit Programs, which stated that Federal credit programs should supplement or stimulate private credit and not replace it, prompted SBA to use the loan guaranty plan. The plan also stated that, when Federal credit programs were used, guaranty or insured loans should have priority over direct loans.

As shown in table 1, the 7(a) guaranty loan program grew rapidly until fiscal year 1973. Since then, the program's overall growth has slowed. Various reasons related to the business recession accounted for the sharp decline in the number of 7(a) guaranty loans made during fiscal years 1974 and 1975. These included the overall liquidity problems banks and other lending institutions experienced, the higher interest rates available to banks than allowed on SBA loans, the high interest rates charged small businesses on borrowings, and the marked increases in loan applications which were either declined by SBA or withdrawn by the applicants. The decline in 7(a) loans for fiscal year 1979 also has been attributed to uncertainty with the economy and high interest rates.

Table 1
7(a) Guaranty Loans Made Per Year

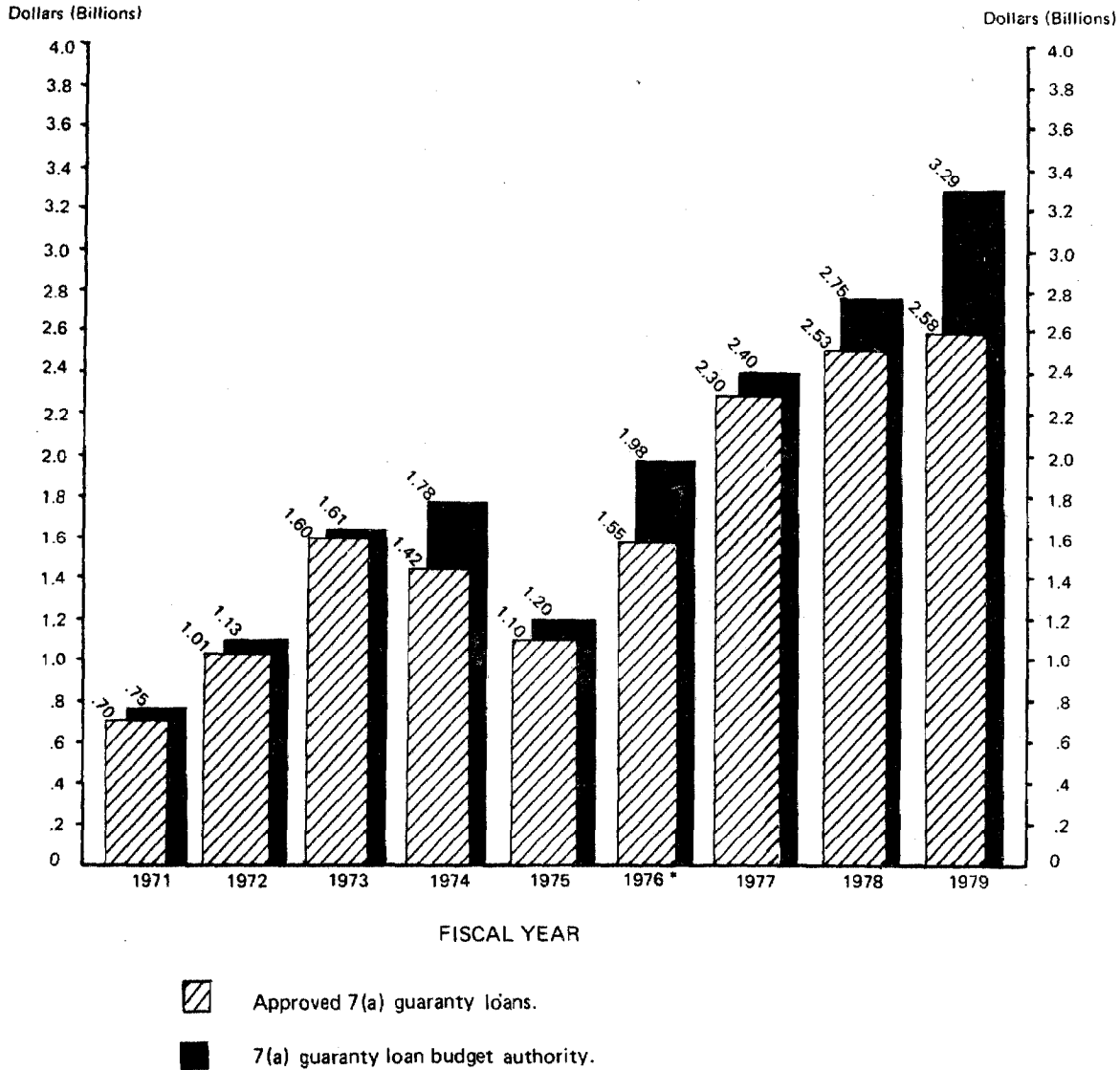


* Transitional quarter, July 1 to September 30, 1976, was eliminated.

The 7(a) guaranty loan program's growth has not been hampered by the lack of loan budget authority. Table 2 shows that only in fiscal year 1973 did SBA approach the authorized ceiling for 7(a) guaranty loans.

Table 2

Approved 7(a) Guaranty Loans Compared to Budget Authority Available for Fiscal Years 1971-79



* Transitional quarter, July 1 to September 30, 1976, included.

SBA INITIATIVES TO IMPROVE THE LOAN DELIVERY SYSTEM

SBA has introduced pilot programs designed to expedite the loan application process and simplify the application documents. SBA's primary initiative, the bank certification program, addresses the time period needed for loan processing. Complementary to this program is SBA region X's operation effectiveness program, designed to reduce the number and complexity of application documents and simplify SBA review procedures for guaranty loans.

Bank certification program

The bank certification program's goal is to provide more timely credit decisions for borrowers who use SBA's certified banks' services. Under this program, SBA can provide faster credit decisions by relying on the certified bank to determine a prospective borrower's credit-worthiness.

The certified bank determines that the application package is complete and performs a credit analysis. The bank then submits the completed package, including the loan authorization conditions, to the SEA district office with the letters "ECP" marked in red on the package to indicate special processing. SEA's goal is to review the bank's credit analysis and provide a decision within 3 days. SEA's promise of a quicker loan approval or denial is the prime incentive the certification program offers to entice banks to participate. SEA proposes that only certain banks will become certified lenders. SEA selected banks for the program primarily based on prior SBA loan volume, but other criteria were also used in the selection process, including:

- Experience with processing and servicing SEA loans.
- Number of SBA loans made over the last 10 years.
- Number of SBA loans currently in the bank's portfolio.
- "Loss" rate, or the number of unsuccessful SEA loans.
- Current loan activity.
- Commitment to establish a recognized SEA loan program.

SBA set a goal for banks to make a minimum of three guaranty loans a month to remain certified. SBA has been flexible in applying its criteria in specific cases, for example, a bank's size and its regional differences.

The bank certification program began in February 1979 on a "pilot" basis with 29 participants. During the pilot, SBA met the 3-day criterion for SBA review and loan approval for 77 percent of the loan applications and reached decisions within 5 days for 95 percent of the cases. However, it was less successful in persuading the certified banks to participate at the minimum rate of three loans a month. During the pilot, only 10 of the 29 (34 percent) certified banks were able to average three or more loans a month. As of July 1980, SBA has had no difficulty certifying banks, but it has had difficulty persuading the certified banks to participate at the rate of at least three loans per month.

Following an evaluation at the end of the pilot, SBA decided to expand the bank certification program. As of June 1980, SBA had certified 251 banks nationwide. SBA plans to expand the program to as many as 2,000 certified lenders by 1985.

SBA intends the bank certification program to be one of the major initiatives in an overall effort to streamline the loan delivery system. SBA plans to eventually decrease its role in delivering guaranteed financial assistance by increasing the lending institutions' role. This would be accomplished by delegating to participating lenders the authority to make, service, modify, or liquidate loans and determine eligibility. SBA began the pilot certification program within the limits of its existing statutory authority. These laws charged SBA with reviewing and approving all credit and other eligibility decisions prior to guarantying a loan already approved by a lending institution. In addition, the Federal Government had to initiate collection action in the event of a default. Public Law 96-302, approved July 2, 1980, extended SBA's authority in the loanmaking and administration areas. Under the act, the SBA Administrator

"* * *may authorize participating lending institutions, in his discretion pursuant to regulations promulgated by him, to take such actions on his behalf, including, but not limited to, the determination of eligibility and creditworthiness, and loan monitoring, collection and liquidation."

Region X's program to simplify
processing procedures

Operation effectiveness, SBA region X's pilot program, began in August 1978. Regional officials wanted to simplify processing procedures and increase efficiency within SBA's statutory authority. Regional staff concluded that the reason many guaranty loan requests were delayed was because the applications were incomplete when they were first submitted to SBA. Delays occurred when the SBA loan officer had to request additional data necessary for loan approval. Based on their experiences and talks with bank officials, the staff determined that the complexity and cumbersomeness of the forms were the primary reasons applications were incomplete when first submitted.

A new guaranty loan application form was devised that

- rearranged the sequence in which loan information was recorded;
- eliminated unnecessary and redundant data requests; and
- improved appearance by altering type, size, and layout.

The application form was eventually reduced from four to two pages. The region also revised the SBA loan officer's report to reflect greater reliance on bank recommendations and to eliminate unnecessary narrative by SBA loan officers. Using the changed form, the SBA loan officer, after receiving a completed application from a bank, can rapidly analyze the credit information, complete the recommendation report, prepare a draft loan guaranty authorization, and bring the recommendation to the SBA loan committee. The region also changed the loan committee system so that less staff time was needed for decisionmaking.

Region X gave banks increased authority in administering loans, permitting the bank to take certain actions without SBA concurrence or consent. The purpose was to eliminate unnecessary SBA servicing on guaranty loans. Region X also used an amended loan guaranty agreement with the banks in the region so that the banks would know exactly what they could do. This reduced the banks' apprehension about their liability for decisions made in poorly defined judgment areas. The region's goal was to allow the banks to service their customers without hindrance from SBA.

OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted this review to evaluate the effectiveness of the delivery system SBA used to direct financial assistance to small businesses under the 7(a) guaranty loan program. By directing our analysis toward the end user, we intended to identify opportunities to increase and/or provide better assistance to small business owners.

We used various evaluation techniques to gather and analyze the necessary data. Our principal source of information came from questionnaires we sent to 7(a) guaranty loan recipients, banks, SBA employees involved in the delivery system, and the small business community. We also reviewed pertinent legislation, documents, studies, reports, and files. We interviewed officials at SBA headquarters and at its offices in Chicago; Denver; Portland, Oregon; San Francisco; and Seattle. We also interviewed bank officials in Denver, San Francisco, Seattle, and Washington, D.C.

A detailed explanation of our questionnaire and sampling methodology is contained in appendix I. The questionnaires we used are contained in appendixes II through V.

PREVIOUS REPORTS

Our previous reports on the 7(a) business loan program have focused on SBA's internal processes and procedures for making, servicing, and liquidating loans. ^{1/} In contrast, our current review was primarily directed at obtaining and assessing the views of the non-Federal participants--the small businesses which seek loans and the lending institutions. We wanted to identify disincentives which might be discouraging small businesses from using and lending institutions from participating in the 7(a) guaranty loan program.

^{1/}"The Small Business Administration Needs To Improve Its 7(a) Loan Program," (GGD-76-24, Feb. 23, 1976).

"Efforts To Improve Management Of The Small Business Administration Have Been Unsatisfactory--More Aggressive Action Needed," (CED-79-103, Aug. 21, 1979).

CHAPTER 2

RECENT INITIATIVES TO IMPROVE THE LOAN DELIVERY

SYSTEM HAS SOME SHORTCOMINGS

We found that the major causes of dissatisfaction among participants in the guaranty loan program are the time SBA used to review loan applications and the complexity of the paperwork required. The revisions to the guaranty loan program SBA is currently testing are designed to address the major causes of dissatisfaction. However, we also found that while SBA's pilot programs are directed at problems which users view as most troublesome, these initiatives do not address all of the problems with the current loan delivery system.

PARTICIPANTS DISSATISFIED WITH TIME AND PAPERWORK REQUIRED TO OBTAIN GUARANTY LOANS

We used questionnaires extensively to determine the views of business owners, lenders, and SBA personnel regarding the guaranty loan program. The responses to our questionnaires indicate the major cause of dissatisfaction regarding the program is that obtaining a guaranty loan is too time consuming. Responses from businesses and lenders with direct experience in the loan program indicate the underlying causes of the time problem are in the number and complexity of the documents required for initiating a loan application and in SBA's review of the application.

Days required to obtain a guaranty loan

We divided the steps necessary to obtain a guaranty loan into five time frames. The total time cycle is from the borrower's first contacts seeking financial assistance until the loan funds from a guaranty loan are disbursed. We asked the borrowers who had obtained guaranty loans to indicate the time required for each step. Our questionnaires for bankers and SBA employees asked those groups to estimate the time required for each step based on their experience with the loan delivery system. Table 3 illustrates the average of the responses for each group and table 4 illustrates the summary of all respondents for each of the five steps.

Table 3

Calendar Days for Each Application Step

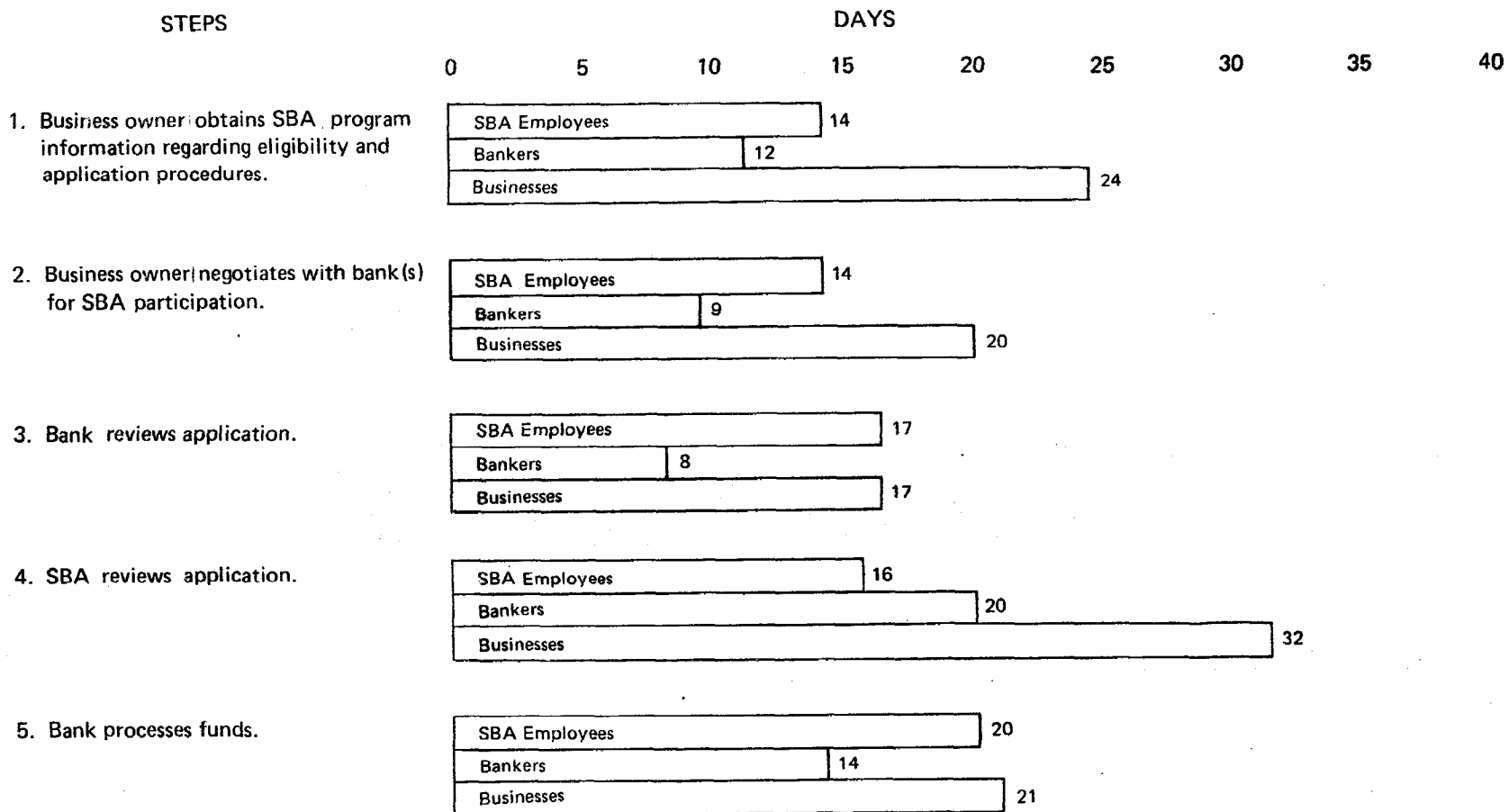


Table 4

Total Calendar Days for Each Participant in Loan Delivery System

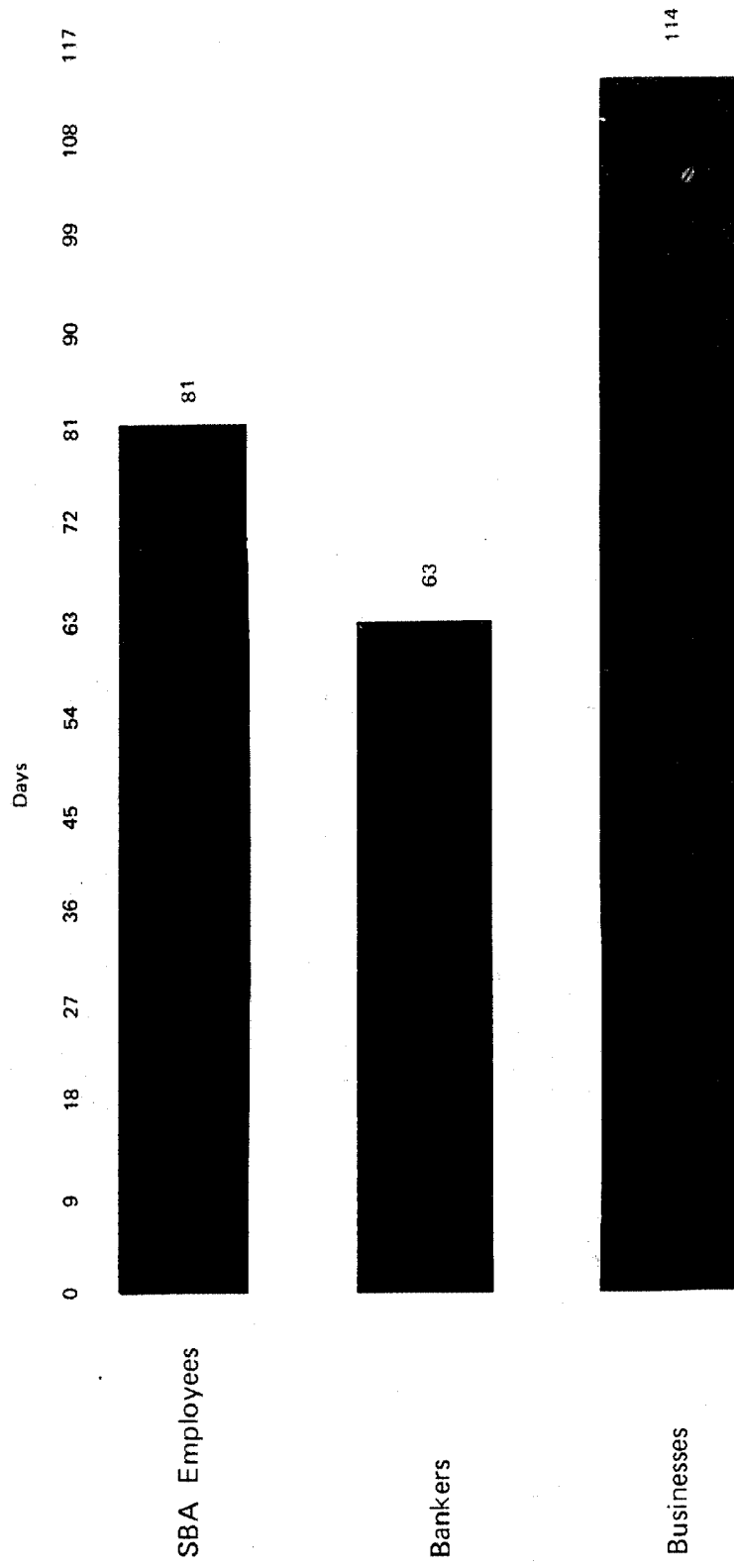


Table 5 contains the averages of the responses for the three groups combined. SEA's application review process took 23 of the average 86 days, or 27 percent of the total time required for the borrower to obtain a guaranty loan. The borrowers also incurred substantial time to obtain SBA program information and to negotiate with a bank or banks for an SEA loan guaranty.

Table 5

Calendar Days Required for Each Application Step
Averages for All Respondents

<u>Step</u>	<u>Days</u>	<u>Percent</u>
1. Business owner obtains SBA program information regarding eligibility and application procedures	17	20
2. Business owner negotiates with bank(s) for SBA participation	14	16
3. Bank reviews application	14	16
4. SEA reviews application	23	27
5. Bank processes funds	<u>18</u>	<u>21</u>
Total	<u>86</u>	100

Borrowers dissatisfied with time
required to obtain a guaranty loan

We wanted to identify and evaluate specific disincentives to participation in the guaranty loan program as experienced by those who have worked with the delivery system. We used a series of questionnaires to obtain the views of three groups which have direct experience with the loan delivery system--SBA employees, bankers, and business owners who had recently obtained a guaranty loan. Table 6 illustrates the level of borrower dissatisfaction with several aspects of the loan application process. For our sample, we randomly selected borrowers to represent the entire population of SBA borrowers during fiscal years 1978 and 1979. (See p. 25.)

Table 6

Percent of Borrowers Dissatisfied with Certain
Aspects of the Loan Application Process

<u>Aspect</u>	<u>Percent</u>
Availability of information regarding the SBA program	11
Clarity of application instructions	15
Amount of paperwork and documents requested	39
Time it took to go through application process	42
Time it took to get loan approval	30
Time it took to get money after loan approval	8

A relatively low percentage of borrowers indicated that they were dissatisfied with the availability or the clarity of the application documents, but their dissatisfaction was significantly greater for the time required for the application process, the amount of paperwork and documents requested, and the time required for loan approval.

The responses to our questionnaires indicate the paperwork and documents required for a loan may be contributing to delays in the application and approval of loans. More than one-third of the borrowers indicated they needed help in preparing their loan applications. The need for help and having to provide additional information after the applications had been submitted caused problems and delays for these borrowers.

To test the time required to obtain a loan as a cause of dissatisfaction with the loan delivery system, we isolated the questionnaire responses of the borrowers who indicated they were dissatisfied with the loan process. Based on their experiences with the loan delivery system, these dissatisfied borrowers indicate that obtaining their loans required an average 179 days, a 57-percent greater time period than the 114-day average for all borrowers. The dissatisfied borrowers estimate that 49 of the additional 65 days would be required for SEA's review.

Bankers also concerned with time and paperwork problems

Our survey of the banking community found that excessive time and paperwork requirements are significant disincentives to banks participating in the guaranty loan program. Table 7 shows the percent of banks that indicated that to a great extent the time and paperwork required to obtain an SBA loan guaranty was a disincentive to participating in the loan program. When we isolated the responses of the banks that do participate from those banks that do not, we found that about twice as many nonparticipating banks considered time and paperwork a disincentive than did the participating banks.

Table 7

Percent of Banks Indicating Time and Paperwork
a Disincentive to Participation in SEA Loan Program

	<u>Percent</u>
All banks	43
Participating banks	35
Nonparticipating banks	72

Similar to the dissatisfied borrowers, bankers are critical of the paperwork required for guaranty loans. Table 8 illustrates banker comparisons of the level of complexity for several steps common to both SBA and regular commercial loans.

Table 8

Percentage of Bankers Rating SBA Guaranty
Loan Procedures as More Complex than
Regular Commercial Loan Procedures

<u>Procedure</u>	<u>Percent</u>
Preparing application documents	91
Credit check	20
Character check	17
Collateral review	29
Disbursements	69
Loan servicing	48
Loan committee actions	23

As shown in the table, bankers find that preparing application documents for SBA-guaranteed loans is more complex than for regular commercial loans. Bankers also rate disbursement procedures for guaranty loans as somewhat more complex. The bankers perceive most other loan application steps to be of similar complexity. The bankers also believe SBA's loan servicing procedures to be more complex. However, loan servicing is not germane to our review.

SBA personnel indicate time and paperwork are major problems of delivery system

We surveyed SBA personnel in four district offices to determine if their views regarding the loan delivery system were similar to those of the borrowers and bankers. We found this to be true. SBA personnel responses to questions of satisfaction on the part of the business borrowers paralleled the borrowers' responses attributing the slowness of the delivery process and excessive paperwork as the primary causes. SBA personnel also indicate that guaranty loans requiring too much time and paperwork is the most significant disincentive to banks' participation.

SBA REVISIONS ON TARGET, EUT INCOMPLETE

The bank certification program which expedites SBA's review of loan applications and the operation effectiveness program which simplifies loan application paperwork appear promising in reducing the time and paperwork required to obtain a guaranty loan. SBA has directed these programs to the two primary problems that are discouraging both eligible small businesses and banks from greater participation in the guaranty loan program. SBA's primary initiative, the bank certification program, addresses only one aspect of the problem of slowness in obtaining guaranty loans, the time SBA uses to review loan applications. Many borrowers spend extensive time learning about the loan program and finding a lender willing to participate. Broadening participation among banks and other lenders would address this problem, but the bank certification program, as currently structured does little to do so. SBA's Director, Office of Financing, generally recognized the need to entice broad bank participation in the program. In addition, SBA has yet to develop and implement a system to provide audit and oversight of the certified banks' loan portfolios.

Bank certification program affects only one segment of time required to obtain guaranty loan

SBA's bank certification program addresses only one segment of the total time required to obtain a guaranty loan, the time SBA spends reviewing loan applications. We found SBA's review accounts for 27 percent of the total time. (See p. 13.) Even if the bank certification program cut SBA's average time to review an application from the present 23 days down to 5 days, this would represent a 78-percent decrease in SBA's review time but only a 21-percent decrease in the total time a borrower incurs in obtaining a guaranty loan.

We found that many borrowers spend extensive time learning about the loan program and finding a lender willing to participate. Responses to our questionnaires indicate 29 percent of the borrowers who received guaranty loans had to contact more than one bank in order to find a bank which would participate in an SBA guaranty loan. This search required more than 60 days for 31 percent of those who had to contact additional banks. This situation is occurring because the system for disseminating information to potential users is dependent upon widespread participation by lenders which has not yet been achieved.

Most banks are not active participants

Active and widespread participation by banks is critical to the guaranty loan program's success because the program is structured so that potential small business borrowers will have information about the program and its suitability to their financial needs and the necessary application forms and procedures when borrowers contact a bank regarding a loan. However, we found that most banks participate little or not at all.

Although 86 percent of the 446 banks we surveyed have signed a participation agreement with SBA, 70 percent of those banks which do participate make less than 10 guaranty loans per year. Less than 15 percent of the participating banks make more than 25 guaranty loans each year. Table 9 shows the annual bank participation level based on the responses from our national sample. Forty-one percent of the banks reporting that they made no SBA loans have signed a participation agreement with SBA.

Table 9

Number of SBA Loans Per Year

<u>Number of loans</u>	<u>Percentage of banks making this number of loans</u>
None	21.3
1-10	54.9
11-25	13.9
26-50	7.2
51-100	2.2
101-200	0.5
More than 200	

The responses, which indicate most banks make only a few loans per year, are further confirmed by additional evidence from our questionnaires where approximately one-third of the banks which have made loans indicated they have less than five guaranty loans in their portfolios.

According to SBA summaries, about two-thirds (10,096) of the Nation's banks have made at least one guaranty loan during the last 10 years. The majority (7,999, or 79 percent) of the participating banks have made less than 10 loans over the 10-year period. These banks have accounted for approximately 32 percent, or 63,957 of the 196,529 guaranty loans approved during fiscal years 1970-79; however, the average number of approvals per bank is only 8 loans for the entire 10-year period, an average of less than 1 loan per year for these banks.

Only a relatively few banks have been active participants over the past decade. SBA statistics indicate 197 banks accounted for 52,056 (26 percent) of the 196,529 loans approved. These banks averaged 264 approvals over the period, or an annual rate of about 26 loans per bank. The 59 most active banks approved some 29,586 loans, about 15 percent of the total number approved. Those most active averaged about 50 loans per year over the 10-year period.

Bank certification program does not expand bank participation

The bank certification program does not address the problem of limited bank participation. Instead, the program perpetuates the guaranty loan program's reliance on a relatively small number of banks. SBA intends that only certain selected banks become certified lenders. Consequently,

the certification program will not expand the base of bank participation. Even if SBA reaches the goal of certifying 2,000 banks, this would represent only about 13 percent of the Nation's banks.

In addition, because of the banking industry's structure, the benefits to be derived from the bank certification program will not be equally available in every State. The structure of the commercial banking industry in the United States has evolved into three forms. Based on their banking laws, States can be classified as follows: (1) States that permit only unit banks, with operations limited to one location, (2) States that permit branch banking, with operations conducted at a main office and at geographically unrestricted branch locations (statewide branching), and (3) States that permit branching within limited geographic areas, usually the county in which the bank is headquartered. Of the 50 States, 14 permit only unit banks, while the rest permit branch banking. Statewide branching is widespread in States on both coasts, limited branching predominates between the east coast and the Mississippi River, and unit banking dominates the Midwest.

Because of the banking industry's structure, coupled with the limited number of banks to be certified, benefits from the bank certification program will be more available to prospective users of the SBA guaranty loan program in branch-banking States compared to those located in unit-banking States. When SBA certifies a branch bank, the certification applies to the bank's main office and all of its branch locations. In States permitting statewide branch banking, SBA has to certify only a few banks so that more timely loan service will be available to potential SBA borrowers throughout the State. In unit-banking States, where each bank is limited to one office and several hundred banks in a single State is not unusual, having only a relatively few banks in the certification program will leave many potential borrowers outside the reach of the certified banks.

Need to monitor certified banks

Although under the bank certification program SBA relies on the bank to perform the credit analysis, it has not developed a system to monitor the program's integrity. SBA recognized the need to review the performance of certified banks when the program was first initiated. The bank certification program's Information Book states that SBA would perform systematic reviews of the certified bank's files and records at the bank's premises to assure compliance with program rules, regulations, and guidelines. Negligence or lack of prudence on the part of the certified bank in meeting

program standards and objectives could result in revocation or nonrenewing of the lender's certification.

SBA has yet to develop and implement an oversight function to review certified bank performance. Instead, SEA is negotiating with various bank regulatory agencies to include, as part of their normal audits, a performance check of certified banks regarding SBA loans. The bank regulatory agencies would develop the information SEA would need to monitor a certified bank's guaranty loans and would report their findings to SEA for disposition. As of July 1980, SBA and the bank regulatory agencies had not reached an agreement.

SBA needs to implement a system to provide audit and oversight functions for the certified bank's SEA loan portfolio. Even some of the certified banks have emphasized the need to monitor the program. As one banker stated,

"The final argument against delegating loan approval would be the concern that some banks would abuse the privilege either intentionally or because they were not prepared to handle a small business loan program."

Operation effectiveness should be adopted SBA-wide

The simplified application documents developed for the operation effectiveness program in SBA region X has effectively shortened loan application and review time. However, to date, the revised documents have not been adopted for use in all SBA regions nor have the simplified documents been used for loan applications in the bank certification program.

The simplified documents of the operation effectiveness program have realized significant improvements. The SBA district offices in region X now receive a greater number of correct and complete loan guaranty applications, and application review requires less staff time. Average review time in region X has been reduced from several weeks to 9 days.

The new application documents are used for all loans and no need exists to select banks for preferential treatment. Banks in the region have responded favorably to the new forms. A bank official from one of the largest banks in the region told us the new application documents had resulted in much faster loan processing. Another official indicated that, given SBA's responsibility as a trustee of public funds, the new application forms are probably at an irreducible minimum.

CONCLUSIONS

By designing the bank certification program to expedite the loan application process and region X's operation effectiveness program to simplify the paperwork requirements, SBA has directed its initiatives at the two primary problems within the loan delivery system that are discouraging both eligible small businesses and banks from greater participation in the guaranty loan program. However, these initiatives do not address all of the problems with the system.

The bank certification program does not address the need to expand the base of bank participation in the guaranty loan program. Many borrowers are spending considerable time and effort learning about the program and finding a lender willing to participate. This situation occurs because the system for disseminating information to potential users is dependent upon widespread participation by lenders which has not yet been achieved. The certification program does not address this problem with the delivery system because the program affects only a limited number of banks. The certification program may well generate increased individual bank participation because of the enthusiasm generated through the certification program. But, in addition to the bank certification program, SBA also needs to develop a program to attract additional banks and other lenders to participate to a greater extent in the loan guaranty program. This is particularly needed in unit-banking States, where the reach of certified banks is limited by the banking structure.

In addition, the bank certification program does not address the need to expedite the loan application process and simplify the paperwork requirements of those potential small business borrowers in need of a loan guaranty located outside the reach of a certified bank. The experimental program in SBA's region X addresses these problems and has significantly simplified paperwork requirements and expedited the loan application process. A principal advantage to region X's program is that it applies to all banks or other lenders. The simplified loan application forms and processing procedures should be adopted SBA-wide. Adopting the simplified forms and processing procedures could provide the impetus to attract additional banks to or encourage greater participation in the loan guaranty program.

SBA needs to implement a system to monitor and provide an oversight function for the certified bank's SBA loan portfolio. The need for a system to monitor certified banks is especially important now that SBA has the authority to delegate to lending institutions the authority to determine

eligibility, creditworthiness, loan monitoring, and collection and liquidation.

RECOMMENDATIONS

We recommend that the SBA Administrator:

- Require that the simplified loan application forms and processing procedures be adopted agencywide.
- Inform banks of SBA's efforts to reduce loan processing time and simplify loan application documents.
- Monitor the activities of the banks operating under the bank certification program to assure compliance with program rules, regulations, and guidelines.

AGENCY COMMENTS

SBA commented that it was in full agreement with the report and that initiatives were in process to address each of the recommendations (see app. VI). SBA stated that by March 31, 1981, loan application forms would be revised and in use agencywide and that a marketing/outreach program would be created. The bank certification program was being expanded and changed to lessen the eligibility criteria for smaller banks. In addition, during fiscal year 1981, SBA said that in three regions it would test clearinghouse banks through which small banks could participate in the certification program. SBA believed this method could better market SBA to small banks in the more rural communities. SBA also stated that the development of a monitoring system for certified banks is in process and expected to be completed by March 31, 1981.

QUESTIONNAIRE METHODOLOGY

To identify disincentives to participation and the extent to which the 7(a) program is used by those eligible for assistance, we used questionnaires to develop a data base. Samples from various groups involved with the guaranty loan program were mailed questionnaires designed to obtain the needed information. Banks and 7(a) guaranty loan recipients were randomly selected nationwide to receive our questionnaires. These samples were selected to provide minimum precisions between 5 and 6 percent and a 95-percent confidence level for attributes. SBA employees in five SEA districts and businesses selected from telephone directories in four of the five districts also received questionnaires. The five districts selected were Honolulu, Anchorage, Seattle, Chicago, and Des Moines. These districts were selected because they represent all SBA loan volume classes, unit- and branch-banking States, and rural and industrial areas.

Bank questionnaire

The Federal Deposit Insurance Corporation (FDIC) systematically selected a sample of commercial banks from its bank data base for our review. Savings and loan institutions, mutual savings banks, and foreign banks recognizable by name were omitted because State laws vary on whether or not these financial institutions are eligible to participate, and historically, those eligible make few 7(a) loans.

For the national sample, banks were divided into two groups--those with total assets exceeding \$300 million and those under \$300 million. Larger banks historically make more SBA loans, and stratification assured that a representative number would be selected. After adjustments, the universe included 384 commercial banks in the over \$300 million group and 13,638 in the second group. We selected the parameters needed for statistical validity and determined sample sizes, but FDIC selected the actual sample for both groups. We did not perform a specific audit on FDIC's data base, nor did we supervise the actual sample selection. Using its national list of both insured and uninsured banks, FDIC placed all banks in descending order by total assets and selected every third bank, starting with the third bank, for the over \$300 million asset group, and every 48th bank, starting with 48th, for the under \$300 million group. The 518 questionnaires were mailed in December 1979 and a follow-up letter was sent in January 1980. The following table illustrates the bank questionnaire response rates.

<u>Category</u>	<u>Universe</u>	<u>Sample</u>	<u>Returned</u>	<u>Percent</u>
Over \$300	384	255	227	89
Under \$300	13,638	271	219	81

A copy of the questionnaire with the numerical responses is included in appendix III.

Guaranteed loan recipients

To select a sample of businesses which have received SBA loans, we contacted SBA's Reports Management Division in Washington, D.C. After SBA revised its listing of outstanding loans to meet our criterion that only those loans approved and disbursed in fiscal years 1978 and 1979 be included, we had a universe of approximately 39,600 businesses. SBA selected the sample, using a random start and selecting every 99th name thereafter for a total of 400 businesses. Again, we conducted no specific audit on SBA's data base and did not supervise the actual sample selection. We revised the sample of 400 to exclude duplicate names and direct and immediate participation loans. The remaining 330 businesses were mailed questionnaires in February 1980. Of the 330 mailed, 18 were nondeliverable and 245 were returned by our initial cutoff date. An additional 11 questionnaires were returned late. The numerical results of this questionnaire are located in appendix II.

Small business community questionnaire

Because there is no complete and current listing of small businesses in the United States, a statistically valid sample of the small business community could not be made. However, these samples were selected so as to assure a representative cross section of business categories. For example, using the Census Bureau's "County Business Patterns 1977," we divided four SBA districts into counties and, using the Standard Industry Code, determined the number of businesses. Representative cities within each county were selected, and using the city's telephone directory, we selected the proper number of businesses from each Standard Industry Code classification. Businesses which were readily recognized as most likely not meeting the loan program's eligibility requirements were excluded from the sample. The businesses selected were mailed questionnaires in March 1980 and a followup letter was sent in April 1980. The following table shows the sample size, the number of responses, and the response rate for each SBA district.

Nonapplicant Summary

<u>Questionnaire</u>	<u>Sample size</u>	<u>Responded</u>	<u>Percent</u>
Chicago	120	54	45
Seattle	118	83	70
Honolulu	119	61	51
Anchorage	119	62	52

A summary of these nonapplicant questionnaires, with numerical responses, is in appendix V.

SBA employees questionnaire

We asked SBA personnel in the Anchorage, Honolulu, Seattle, Des Moines, and Chicago SBA district offices to complete a questionnaire. We distributed the questionnaires between December 1979 and March 1980 to the following SBA employees in the five districts: District Director, Assistant District Director - Finance and Investment; Chief of the Finance Division; Chief of Portfolio Management; Chief of Management Assistance; Chief of Loan Servicing and Liquidations; Loan Officers and the District Counsel. The numerical results of these responses are summarized in appendix IV.

Our auditors, psychologists, and statisticians designed the questionnaires specifically for this review. Development of the questionnaires included pretesting with bankers, business owners, and SBA employees in several locations to facilitate understanding and minimize response time. The results of our analyses are discussed in chapter 2.



U.S. GENERAL ACCOUNTING OFFICE

Survey of Small Businesses'

Experiences with the SBA Guaranteed

Loan Program

INSTRUCTIONS:

The U. S. General Accounting Office is an agency of Congress responsible for evaluating Federal programs. We are currently reviewing the Small Business Administration's (SBA) efforts to deliver financial and management assistance to small businesses.

The results of our review will be reported to the Congress. This questionnaire is an opportunity for you to provide information which could have a significant impact on any recommendations we might make.

This questionnaire is numbered only to aid us in our follow-up efforts and will not be used to identify you with your responses. All information you supply will be kept confidential and only summary totals will be used in our analyses and reports.

Throughout this questionnaire there are numbers printed within parentheses to assist our keypuncher in coding responses for computer analysis. Please disregard these numbers.

Please return the completed questionnaire in the enclosed self-addressed envelope within 5 days, if possible. If you have any questions, please contact Ray McIntosh at (206) 442-5356. We appreciate your participation and cooperation.

NOTE: In answering the questions, please consider the SBA guaranteed loan you obtained on the date stated in the first paragraph of the cover letter.

BACKGROUND:

1. Which of the following categories best describes your business' major activity? (Check only one.)

1. 13 Agriculture	6. 26 Wholesale (7)
2. 1 Mining	7. 87 Retail
3. 12 Construction	8. 65 Services
4. 35 Manufacturing	9. 0 Finance
5. 4 Transportation	10. 2 Other (Please specify.)

2. Approximately what were your gross receipts for fiscal year 1978? (Check one.)

- | | | | |
|----|----|-------------------------|-----|
| 1. | 46 | Less than \$49,999 | (8) |
| 2. | 39 | \$50,000-\$99,999 | |
| 3. | 56 | \$100,000-\$249,999 | |
| 4. | 30 | \$250,000-\$499,999 | |
| 5. | 36 | \$500,000-\$999,999 | |
| 6. | 34 | \$1,000,000-\$4,999,999 | |
| 7. | 1 | \$5,000,000-\$9,999,999 | |
| 8. | - | More than \$10,000,000 | |

3. How many permanent full-time employees do you currently have? (Enter number. Do not include yourself or unpaid family members.)

AVERAGE
11 Number full-time employees (9-12)

4. Before getting this SBA loan, how many years experience did you have as the owner of a business? (Check one.)

- | | | | |
|----|----|--------------------|------|
| 1. | 54 | None | (13) |
| 2. | 7 | Less than 1 year | |
| 3. | 34 | 1-2 years | |
| 4. | 52 | 3-5 years | |
| 5. | 40 | 6-10 years | |
| 6. | 58 | More than 10 years | |

5. Was the amount of this SBA loan more, less, or equal to the amount you originally requested? (Check one.)

- | | | | |
|----|-----|--------------------------------|------|
| 1. | 37 | More than originally requested | (14) |
| 2. | 197 | Equal to original request | |
| 3. | 9 | Less than original request | |

NOTE: The numbers which appear beside many of the questions indicate how many respondents answered in that manner. All respondents did not choose to answer every question. For this reason, and because some of the questions were not intended to be answered by every business, the number of responses for each individual question may total less than 245.

6. Which of the following best describes why you obtained this SBA loan? (Check one.)
- 1. 80 To start up a new business venture (15)
 - 2. 45 To increase working capital
 - 3. 98 To expand business, purchase new equipment, etc.
 - 4. 15 Other (Please specify.) _____

7. From which of the following sources have you obtained information about SBA's loan program? (Check all that apply.)
- 1. 17 Business organizations (Chamber of Commerce, etc.) (16)
 - 2. 18 Newspapers and periodicals (17)
 - 3. 182 Banker (18)
 - 4. 68 Accountant or lawyer (19)
 - 5. 44 Business associates (20)
 - 6. 18 SBA sponsored seminars (21)
 - 7. 2 SBA "Circuit rider" (22)
 - 8. 6 Television-Radio advertisements (23)
 - 9. 5 Federal agency other than SBA (24)
 - 10. 1 Other (Please specify.) _____ (25)

8. Was this your first SBA guaranteed loan? (Check one.)
- 1. 200 Yes (26)
 - 2. 43 No

BANK PARTICIPATION:

9. Did you have to contact more than one bank to find one that agreed to participate in this SBA guaranteed loan? (Check one.)
- 1. 70 Yes (27)
 - 2. 173 No If no, skip to 12.
10. About how many banks did you have to contact?
- 1. 45 2 (28)
 - 2. 29 3-5
 - 3. 1 5-10
 - 4. More than 10

11. About how many days passed between the first time you first contacted a bank until you located a bank that would participate in a SBA guaranteed loan? (Check one.)
- 1. 28 Less than 7 days (29)
 - 2. 18 7-14 days
 - 3. 11 15-30 days
 - 4. 18 31-60 days
 - 5. 22 More than 60 days

SBA LOAN APPLICATION:

12. Did you obtain any assistance from each of the following sources in preparing your SBA loan application? (Check one for each.)

	Yes		No		
	1	2	1	2	
1. Accountant	131	95			(30)
2. Banker	175	54			(31)
3. Lawyer	57	158			(32)
4. Management Consultant (Specify) _____	12	205			(33)
5. "Loan Packager" -- Organization or individual that specializes in the preparation of SBA loan applications	28	196			(34)
6. Other (Please specify) _____	10	196			(35)

13. How satisfied or dissatisfied were you with each of the following aspects of the SBA loan application process? (Check one for each.)

	1	2	3	4	5	
	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	
1. Availability of information regarding the SBA program	83	102	31	20	6	(36)
2. Clarity of application instructions	61	99	44	31	6	(37)
3. Amount of paperwork and documentation requested	34	66	48	57	36	(38)
4. Time it took to go through application process	35	60	45	52	48	(39)
5. Time it took to get loan approval	54	79	34	38	35	(40)
6. Time it took to get money after loan approval	112	91	19	14	6	(41)
7. Other (Please specify.)	1	2	1	-	5	(42)

14. How much of a problem, if any, was each of the following in obtaining your SBA loan? (Check one for each.)

	1	2	3	4	5	
	Little or no problem	Some problem	Moderate problem	Serious problem	Very serious problem	
1. Location of SBA office	210	11	11	2	3	(43)
2. Hours of operation of SBA office	222	6	6	3	-	(44)
3. The need to obtain help to prepare application	158	46	16	12	5	(45)
4. Requirement to submit additional information after the application was submitted	151	42	21	14	9	(46)
5. Conferences you were required to attend	207	13	9	2	2	(47)
6. Other (Please specify.)	6	-	-	-	-	(48)

15. Overall, how satisfied or dissatisfied were you with the SBA loan application process? (Check one.)

- 1. 67 Very satisfied (49)
- 2. 112 Generally satisfied
- 3. 30 Neither satisfied nor dissatisfied
- 4. 24 Generally dissatisfied
- 5. 7 Very dissatisfied

NOTE: All numbers on this page are averages.

- Questions 16 to 20 deal with the number of contacts you or your representative had with SBA and bank staff during the loan application process.
- 16. About how many times did you or your representative submit application forms or other written data directly to SBA and the bank? (Enter number for each; if none, enter 0.)
 - 2 times to SBA (50-52)
 - 3 times to bank (53-55)
 - 17. About how many telephone conferences did you or your representative have with SBA and the bank? (Enter number; if none, enter 0.)
 - 4 telephone contacts with SBA (56-58)
 - 8 telephone contacts with bank (59-61)
 - 18. About how many times did you or your representative have personal conferences (not at your place of business) with SBA and the bank? (Enter number; if none, enter 0.)
 - 1 times with SBA (62-64)
 - 4 times with bank (65-67)
 - 19. About how many times did SBA and/or bank representatives visit your business before you obtained your funds? (Enter number; if none, enter 0.)
 - 0 times SBA visited your business (68-70)
 - 1 times bank visited your business (71-73)
 - 20. About how many times did you or your representative have a joint conference with SBA and bank staff? (Enter number; if none, enter 0.)
 - 1 number of joint conferences (74-76)

21. Listed below are five steps a business owner goes through in obtaining an SBA guaranteed loan. Please enter your best estimate of the number of calendar day(s) it took to go through each step. 1 80
Dup (1-6)

Step	Activities	▶ Elapsed Time
1. Business owner obtains SBA program information regarding eligibility and application procedures	<p><u>From</u> the time business owner first contacts bank or SBA regarding needed financing</p> <p><u>Until</u> the time business owner has enough information and decides to pursue a SBA guaranteed loan</p>	<u>24</u> day(s) (7-9)
2. Business owner negotiates with bank(s) for SBA participation	<p><u>From</u> the time business owner first submits a loan proposal to a bank</p> <p><u>Until</u> the time business owner obtains a bank's agreement to participate in a SBA guaranteed loan</p>	<u>20</u> day(s) (10-12)
3. Bank reviews application	<p><u>From</u> the time business owner submits application to bank</p> <p><u>Until</u> the time bank forwards the application, with its recommendation, to SBA</p>	<u>17</u> day(s) (13-15)
4. SBA reviews application	<p><u>From</u> the time SBA receives the application</p> <p><u>Until</u> the time SBA notifies the bank of approval</p>	<u>32</u> day(s) (16-18)
5. Bank processes funds	<p><u>From</u> the time bank receives SBA approval notice</p> <p><u>Until</u> the time business owner actually receives funds</p>	<u>21</u> day(s) (19-21)

22. Did SBA and/or the bank require that you obtain some management advice or assistance before or after the loan was disbursed? (Check one for each.)

	1	2	3	4	
	Did not require loan disbursed	Required before loan disbursed	Required after loan disbursed	Required before and after loan disbursed	
1. SBA	192	20	9	9	(22)
2. Bank	200	14	4	10	(23)

23. SBA does provide management assistance to some small businesses. Listed below are several kinds of assistance SBA provides. Please indicate whether or not you received each of the following types of assistance. (Check one for each.)

	Yes	No	
	1	2	
1. SBA Management Assistance - Staff of SBA provides assistance and advice to small businesses and individuals	41	192	(24)
2. SCORE (Service Corps of Retired Executives) or ACE (Active Corps of Executives)-Volunteer arm of SBA management assistance program	47	184	(25)
3. Small Business Institute - Business counseling provided through colleges or universities	18	211	(26)

▶ IF YOU CHECKED NO TO ALL IN 23, SKIP TO QUESTION 27.

24. How satisfied or dissatisfied were you with each of the following aspects of the SBA assistance? (Check one for each.)

	1	2	3	4	5	
	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	
1. Availability of needed assistance	29	31	21	7	5	(27)
2. Time it took to get needed assistance	23	32	28	5	3	(28)
3. Usefulness of assistance - relevant to your problems	22	29	23	11	7	(29)
4. Clarity of written business material provided	21	27	28	10	4	(30)
5. Competency of SBA staff/volunteers	27	26	29	5	3	(31)
6. Other (Please specify.)						(32)
		-	3	1	1	2

25. In your opinion, was the SBA management assistance provided at the right time or was it provided too early or too late to be of use to your business?

- 1. 3 Provided too early (33)
- 2. 45 Provided at about right time
- 3. 14 Provided too late
- 4. 32 Not time critical

26. Overall, how satisfied or dissatisfied were you with the management assistance you received from SBA? (Check one.)
- 1. 25 Very satisfied (34)
 - 2. 31 Generally satisfied
 - 3. 30 Neither satisfied nor dissatisfied
 - 4. 8 Generally dissatisfied
 - 5. 4 Very dissatisfied
27. Have you ever received any management advice or assistance from a source other than SBA? (Check one.)
- 1. 103 Yes (35)
 - 2. 132 No -> If no, skip to 29.
28. From which of the following sources have you obtained management advice or assistance? (Check all that apply.)
- 1. 6 Management consultant (36)
 - 2. 16 Accountant
 - 3. 1 Lawyer
 - 4. 12 Banker
 - 5. 8 Other (Specify) _____

OPINIONS/COMMENTS:

29. A small business that is eligible for SBA assistance may not avail itself of needed SBA services for various reasons. In your opinion, to what extent, if at all, does each of the following factors explain why a small business would not avail itself of SBA assistance? (Check extent for each factor.)

	Extent					
	1	2	3	4	5	
	Very great extent	Substantial extent	Moderate extent	Some extent	Little or no extent	
1. They lack awareness of SBA programs	58	68	39	29	35	(37)
2. They believe only minority groups are eligible for SBA assistance	38	46	34	33	75	(38)
3. They have a negative opinion regarding SBA	43	31	45	39	67	(39)
4. They are able to obtain needed assistance from other sources	40	36	60	62	30	(40)
5. They do not want involvement with the Federal Government	58	51	35	38	47	(41)
6. They find it too difficult to qualify for SBA assistance	42	45	58	40	38	(42)
7. They find it too time consuming to obtain SBA assistance	71	56	42	30	26	(43)
8. They are discouraged from utilizing SBA by their bankers	27	14	19	40	124	(44)
9. Other (Please specify.) _____	9	2	-	-	2	(45)

30. In your opinion, how much importance do banks place on each of the following factors in making decisions to make a loan to a small business?

31. We would be interested in any additional comments you may have regarding SBA programs. Any comments on any of the items within this questionnaire are also welcomed.

	Very great importance	Great importance	Moderate importance	Some importance	Little or no importance	
	1	2	3	4	5	
1. General moral character and standards of borrowers	103	76	37	8	10	(46)
2. Management ability of borrowers	107	85	30	9	3	(47)
3. Degree to which prospects of business will enable loan repayment	161	59	12	1	2	(48)
4. Nature and value of business collateral	149	61	21	2	2	(49)
5. Loan being guaranteed by SBA	129	66	21	8	9	(50)
6. Nature and value of other collateral, including ability of principals to repay from personal assets	126	68	30	7	3	(51)
7. Past performance of business	106	78	29	11	7	(52)
8. Other (Please specify.)	4	1	-	-	-	(53)

U.S. GENERAL ACCOUNTING OFFICE

**SURVEY OF BANKS REGARDING
THE SBA-GUARANTEED LOAN PROGRAM**



INSTRUCTIONS:

The U.S. General Accounting Office is the agency of Congress responsible for evaluating Federal programs. We are currently reviewing the Small Business Administration's (SBA) efforts to deliver financial and management assistance to small businesses.

The results of our review will be reported to the Congress. This questionnaire is an opportunity for your institution to provide information which could have a significant impact on any recommendations we might make.

This questionnaire is numbered only to aid us in our followup efforts and will not be used to identify you with your responses. All information you supply will be kept confidential and only summary totals will be used in our analyses and reports.

Throughout this questionnaire there are numbers printed within parentheses to assist our keypuncher in coding responses for computer analysis. Please disregard these numbers.

Please return the completed questionnaire in the enclosed self-addressed envelope within 5 days, if possible. If you have any questions, please contact Ray McIntosh at (206)442-5356. We appreciate your participation and cooperation.

BACKGROUND

1. Is your bank a unit or branch bank? (Check one.)

234 1. Unit bank (7)

212 2. Branch bank *please specify number of branches.*

AVERAGE 18 Number of branches (8-10)

2. Which of the following statements best describes your bank's general policy regarding the provision of long-term loans (greater than one year) to small business clients? (Check one.)

69 1. Strongly encourage or actively solicit (11)

168 2. Generally encourage

172 3. Neither encourage nor discourage

33 4. Generally discourage

4 5. Strongly discourage or refuse to make such loans

3. Overall, in deciding whether or not to lend to a particular small business client, how important, if at all, is each of the following factors? (Check one for each.)

	Very great importance	Great importance	Moderate importance	Some importance	Little or no importance	
	1	2	3	4	5	
1. General character and moral standards of borrowers	291	139	14	1	1	(12)
2. Management ability of borrowers	250	187	6	-	-	(13)
3. Degree to which prospects of business will enable loan repayment	289	142	13	1	-	(14)
4. Nature and value of business collateral	94	218	124	7	1	(15)
5. Loan being guaranteed by SBA	77	108	149	62	43	(16)
6. Nature and value of other collateral, including ability of principals to repay from personal assets	70	169	171	33	1	(17)
7. Past performance of business	119	250	69	7	-	(18)
8. Other <i>Please specify.</i>	13	27	5	1	-	(19)

4. Has your bank signed a Loan Guarantee Agreement with SBA for participation in the SBA-Guaranteed Loan Program? (Check one.)

383 1. Yes 2

30 2. No

24 3. Uncertain

5. A small business that is eligible for SBA assistance may not avail itself of SBA services for various reasons. In your opinion, to what extent, if at all, does each of the following factors explain why an eligible business would not avail itself of SBA assistance? (Check one for each.)

	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	1	2	3	4	5	
1. They lack awareness of SBA programs	42	162	137	82	17	(21)
2. They believe only minority groups are eligible for SBA assistance	31	96	100	100	110	(22)
3. They have negative opinions regarding SBA	33	117	132	107	47	(23)
4. They are able to obtain needed assistance from other sources	30	119	150	98	40	(24)
5. They do not want involvement with the Federal Government	71	128	109	90	39	(25)
6. They find it too time consuming to obtain SBA assistance	122	169	88	52	7	(26)
7. They are discouraged by their bankers from utilizing SBA	6	25	67	123	215	(27)
8. Other (Please specify)	8	6	7	1	1	(28)

6. Overall, how much knowledge do your bank's executive officers and commercial loan officers have regarding SBA loan programs and processing procedures? (Check one for each.)

	Very great knowledge	Considerable knowledge	Moderate knowledge	Some knowledge	Little or no knowledge	
	1	2	3	4	5	
Executive officers' knowledge of						
1. SBA loan programs	31	175	143	79	10	(29)
2. SBA loan processing procedures	26	111	139	107	58	(30)
Loan officers' knowledge of						
3. SBA loan programs	51	164	148	65	12	(31)
4. SBA loan processing procedures	46	137	144	88	25	(32)

SBA PARTICIPATION

7. Approximately how many SBA-guaranteed loans does your bank usually make in a year? (Check one.)

- 95 1. None (IF NONE, SKIP TO QUESTION 20) (33)
- 245 2. 1-10
- 62 3. 11-25
- 32 4. 26-50
- 10 5. 51-100
- 2 6. 101-200
- 7. More than 200

8. Please enter below a.) the number of loans and b.) the total loan amount outstanding (to the nearest thousand dollars) for both the commercial loans and the SBA guaranteed loans in your portfolio as of September 30, 1979.

Averages	a.) Number of loans	b.) Amount outstanding
Commercial loans	<u>3234</u> (34-39)	\$ <u>284,447</u> .000 (40-47)
SBA guaranteed loans	<u>32</u> (48-53)	\$ <u>8,368</u> .000 (54-61)

NOTE: The responses to this question were not used as they appear unreasonable in view of the other responses.

9. Of how much importance, if any, was each of the following factors in your decision to participate in the SBA-Guaranteed Loan Program? (Check one for each.)

	Very great importance	Great importance	Moderate importance	Some importance	Little or no importance	
	1	2	3	4	5	
1. Ability to offer regular clients a broader range of services	65	132	75	52	25	(62)
2. Ability to provide service to clients who may not be eligible for loan without SBA guarantee	146	147	39	15	4	(63)
3. Increased earnings to bank	20	60	110	78	82	(64)
4. Ability to offer SBA guarantees for resale in secondary market	29	38	50	39	193	(65)
5. Reduced risk to bank	101	147	63	27	10	(66)
6. Other (Please specify.)	9	9	2	-	-	(67)

10. In general, do your bank's policy level officers encourage or discourage SBA participation? (Check one.)

- 71 1. Strongly encourage (68)
- 138 2. Generally encourage
- 134 3. Neither encourage nor discourage
- 7 4. Generally discourage
- 2 5. Strongly discourage

1 (80)
Dup 1 (1-6)

11. Considering the loan amount recommendations you made to SBA during the past 3 years, approximately what percentage of the recommended loan amounts were accepted, reduced or increased by SBA? (Enter percentage for each category; if none, enter 0.)

AVERAGES

65 % loan recommendations that were accepted by SBA (7-9)

4 % loan recommendations that were reduced by SBA (10-12)

1 % loan recommendations that were increased by SBA (13-15)

100% Total loan recommendations to SBA

12. Generally, does your bank automatically request the 90% SBA guarantee or does it request a guarantee percent based on some other criteria? (Check one.)

- 345 1. Generally request 90% guarantee (16)
- 6 2. Generally request other than maximum, based on other criteria (Please specify criteria used.)

13. During the past 3 years about how often has SBA accepted the guarantee percentage you requested? (Check one.)

- 245 1. Always or almost always (17)
- 89 2. Usually
- 8 3. About half the time
- 3 4. Sometimes
- 2 5. Seldom if ever

14. Are the loan officers of your bank who have direct responsibility for SBA loan processing provided with each of the following types of materials regarding SBA-guaranteed loans? (Check one for each.)

	Yes	No	
	1	2	
1. SBA prepared descriptive material	291	52	(18)
2. Bank prepared descriptive material	139	199	(19)
3. SBA prepared procedures manual	198	142	(20)
4. Bank prepared procedures manual	128	209	(21)
5. SBA prepared checklists	268	72	(22)
6. Bank prepared checklists	132	203	(23)

15. Compare the level of complexity for each of the following steps for SBA-guaranteed loans with the same steps for your regular commercial term loans. (Check one each.)

	SBA much more complex SBA generally more complex About the same complexity SBA generally less complex SBA much less complex					
	1	2	3	4	5	
1. Preparation of application documents	144	165	36	1	1	(24)
2. Credit check	6	33	303	4	1	(25)
3. Character check	10	46	276	15	1	(26)
4. Collateral review	14	68	254	9	2	(27)
5. Disbursement procedures	75	170	99	1	1	(28)
6. Loan servicing procedures	34	145	159	4	5	(29)
7. Loan committee actions	20	46	269	7	1	(30)
8. Other (Specify:)	7	2	1	-	-	(31)

16. Listed below are 5 steps a business owner goes through in obtaining a SBA-guaranteed loan. Please enter your best estimate of the number of calendar days it would typically take to proceed through each step.

AVERAGES	Step	Activities	Elapsed Time
	1. Business owner obtains SBA program information regarding eligibility and application procedures	From the time business owner first contacts bank or SBA regarding needed financing. Until the time business owner has enough information and decides to pursue a SBA-guaranteed loan.	<u>12</u> day(s) (32-34)
	2. Business owner negotiates with Bank(s) for SBA participation	From the time business owner first submits a loan proposal to a bank. Until the time business owner obtains a bank's agreement to participate in a SBA-guaranteed loan.	<u>9</u> day(s) (35-37)
	3. Bank reviews application	From the time business owner submits application to bank. Until the time bank forwards the application, with its recommendation, to SBA.	<u>7.5</u> day(s) (38-40)
	4. SBA reviews application	From the time SBA receives the application. Until the time SBA notifies the bank of approval.	<u>20</u> day(s) (41-43)
	5. Bank processes funds	From the time bank receives SBA approval notice. Until the time business owner actually receives funds.	<u>14</u> day(s) (44-46)

MANAGEMENT ASSISTANCE

AVERAGES

17. Based on your experience about what percentage of your SBA loan applicants should receive some management advice or assistance? (Enter percentage.)

43% in need of some management assistance (47-49)

18. In your opinion about what percentage of your SBA loan applicants whom you feel are in need of some management advice or assistance actually obtain the needed assistance? (Enter percentage.)

24% in need that obtain assistance (50-52)

19. How frequently, if ever, are your SBA loan applicants provided with management assistance by each of the following sources? (Check one for each.)

	Regularly	Frequently	Occasionally	Seldom	Rarely if ever	No basis to judge	
	1	2	3	4	5	6	
1. Your bank through loan officers or an existing management assistance group	85	117	110	23	10		(53)
2. SBA management assistance officers	6	32	136	93	37	38	(54)
3. Private consultants (CPA's, attorneys, consultants)	22	107	140	37	18	19	(55)
4. Other (Specify: _____)	2	5	6	-	-	1	(56)

NOTE: The numbers which appear beside many of the questions indicate how many bankers answered in that manner. All respondents did not choose to answer every question. For this reason and because some of the questions were not intended to be answered by every bank, the number of responses for each individual question may total less than 446.

DISINCENTIVES

20. To what extent, if at all, is each of the following factors a disincentive to your bank's participation in the SBA-guaranteed loans program? (Check one for each.)

	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	1	2	3	4	5	
1. Lack of demand for SBA-guaranteed loans	27	73	124	91	123	(57)
2. Bank policy-making officers discourage participation with SBA	9	11	40	70	309	(58)
3. Ability to meet loan needs of clients without SBA guarantees	41	159	105	87	46	(59)
4. SBA loan applicants too marginal even with SBA guarantee	68	111	102	100	58	(60)
5. SBA loans require too much time, paperwork, etc.	86	104	103	86	60	(61)
6. Insufficient yield on SBA loans	25	58	95	91	166	(62)
7. Other (Please specify: _____)	5	7	3	1	-	(63)

CONTACT

21. Your response to this survey will, as stated above, be held in confidence. In a few instances it may be necessary to contact respondents to obtain clarification or additional information. Please provide the name, title and phone number of the individual that should be contacted if any personal follow up is necessary.

Name _____
 Title _____
 Phone (Area)- _____ (Number)- _____

COMMENTS

22. If you have any additional comments on any of the items within the questionnaire or any suggestions regarding improvements that you feel should be made in the SBA program, please express them on the back of this page. (Attach additional sheets if needed.)

(64)
 (65)

U.S. GENERAL ACCOUNTING OFFICE
 SURVEY OF SBA EMPLOYEES REGARDING THE SBA
 GUARANTEED LOAN PROGRAM

INSTRUCTIONS:

We are administering this questionnaire to SBA employees who are involved with the processing of 7(a) guaranteed loans and the delivery of management assistance. The questionnaire asks for your knowledge, opinions, and observations regarding the operations of these programs.

1. Name _____

Title _____

2. Some businesses may be eligible for SBA assistance and yet not use the SBA services. Indicate the extent, if any, that you believe each reason explains why a business would not seek SBA assistance. Please rank your answers on a scale of 1 being very great extent to 5 being little or no extent.

	1	2	3	4	5
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent
They lack awareness of SBA programs	4	13	13	14	4
They believe only minority groups are eligible for SBA assistance	6	8	10	18	7
They have negative opinions regarding SBA	4	6	10	19	10
They are able to obtain needed assistance from other sources	5	11	11	13	9
They do not want involvement with the Federal Government	3	10	12	13	11
They find it too time consuming to obtain SBA assistance	3	16	14	8	8
They are discouraged from utilizing SBA by their bankers	-	2	10	12	24

NOTE: The numbers which appear beside many of the questions indicate how many respondents answered in that manner. All respondents did not choose to answer every question. For this reason, and because some of the questions were not intended to be answered by every business, the number of responses for each individual question may total less than 49.

NOTE: This questionnaire is a summary of the responses received from SBA employees in the Anchorage, Chicago, Des Moines, Honolulu, and Seattle SBA district offices.

3. What is the primary source by which businesses learn of SBA's programs?

(Check one.)

- Business organizations
- Newspapers and periodicals
- Referred to SBA by bankers, accountants, or lawyers
- Business associates
- SBA sponsored business seminars
- SBA "circuit riders"
- Television - radio
- Other (please specify) _____

4. In general, how knowledgeable are loan applicants of SBA programs when they first contact SBA? (Check one.)

- Have no knowledge of the SBA's programs
- Have limited knowledge of the SBA's programs
- Have some knowledge of the SBA programs
- Have general knowledge of the SBA programs
- Have considerable knowledge of the SBA programs

5. Listed below are 5 steps a business owner goes through in obtaining an SBA-guaranteed loan. Please enter your best estimate of the number of calendar days it would typically take to proceed through each step.

AVERAGES

Step	Activities	Elapsed Time
1. Business owner obtains SBA program information regarding eligibility and application procedures	From the time business owner first contacts bank or SBA regarding needed financing. Until the time business owner has enough information and decides to pursue an SBA-guaranteed loan.	14 day(s)
2. Business owner negotiates with Bank(s) for SBA participation	From the time business owner first submits a loan proposal to a bank. Until the time business owner obtains a bank's agreement to participate in an SBA-guaranteed loan.	14 day(s)
3. Bank reviews application	From the time business owner submits application to bank. Until the time bank forwards the application, with its recommendation, to SBA.	17 day(s)
4. SBA reviews application	From the time SBA receives the application. Until the time SBA notifies the bank of approval.	16 day(s)
5. Bank processes funds	From the time bank receives SBA approval notice. Until the time business owner actually receives funds.	20 day(s)

6. In general, how satisfied or dissatisfied do you believe applicants are with each of the following elements of the loan process?

	1	2	3	4	5
	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied
Availability of information regarding the loan process	4	30	10	4	
Clarity of SBA loan application documents		26	9	12	
Amount of paperwork required		5	14	24	5
Timeliness of loan application process	3	21	10	11	3
Timeliness of loan approval	4	20	15	7	2
Timeliness of loan disbursement	3	15	8	15	4

7. Please respond on a scale of 1 to 5 as to the extent you believe each item below causes significant problems for applicants.

	1	2	3	4	5
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent
Geographical location of SBA office	2	3	11	16	16
Days/hours of SBA office operation			3	10	36
Need for outside help in preparing applications	2	10	23	9	5
Re-submittals of applications	3	7	20	12	7
Conferences at bank or SBA offices		1	7	19	21
Other (please specify)	1	1		1	2

12. Based on your experience with banks, what importance do banks place on each of the following factors in deciding whether or not to lend to a particular small business client? Please indicate your answer as 1 being very great importance to 5 being little or no importance.

	1	2	3	4	5
	Very great importance Great importance Moderate importance Some what important Little or no importance				
General character and standards of borrowers	24	20	4		
Management ability of borrowers	16	24	8		
Degree to which prospects of business will enable loan repayment	20	21	6		
Nature and value of business collateral	13	21	12	1	
Loan being guaranteed by SBA	17	17	13		1
Nature and value of other collateral, including ability of principals to repay from personal assets	3	21	17	6	
Past performance of business	17	17	13	1	
Other (please specify)		2			

13. Based on your experience with banks, of how much importance, if any, was each of the following factors in the bank's decision to participate in the SBA-guaranteed loan program? 1 being very great importance to 5 being little or no importance

	1	2	3	4	5
	Very great importance Great importance Moderate importance Some importance Little or no importance				
Ability to offer regular clients a broader range of services	12	16	11	4	4
Ability to provide service to clients who may not be "lendable" without SBA guarantee	15	25	3	3	1
Increased earnings to bank	11	18	11	3	4
Ability to offer SBA guarantees for resale in secondary market	11	18	11	4	3
Reduced risk to bank	13	26	6	1	
Other (please specify)	3	2	4	1	

14. Based on your experience, to what extent, if at all, is each of the following factors a disincentive to a bank's participation in the SBA-guaranteed loan program? (Check one for each factor.)

	1	2	3	4	5	
						Very great extent
						Great extent
						Moderate extent
						Some extent
						Little or no extent
Lock of demand for SBA-guaranteed loans	1	4	10	15	16	
Bank policymaking officers discourage participation with SBA	2	7	13	10	14	
Able to meet loan needs of clients without SBA guarantees	3	12	16	8	8	
Consider SBA loan applicants too marginal even with SBA guarantee	1	6	14	17	9	
SBA loans require too much time, paperwork, etc.	5	11	16	10	5	
Insufficient yield on SBA loans	1	3	11	10	22	
Other (please specify)						

15. Based on your experience with banks, how is the loan amount most commonly determined for SBA-guaranteed loans?

- 23 Based on the loan amount originally requested by the borrower.
- 17 Based on a loan amount determined by the bank's analysis of repayment ability and collateral.
- 7 Based on a loan amount determined by SBA analysis of the borrower's request, repayment ability, and collateral.
- 16. In your experience, is the percentage of SBA guarantee requested by the bank generally
 - 44 An automatic request for the 90% maximum or,
 - 3 A request for other than the maximum based on other criteria.
- AVERAGE 17. Upon receiving guarantee loan applications through banks, what percent have the required paperwork filled out properly the first time? 43 percent
- 18. Of those that are not properly filled out, the problem usually is: (Check one.)
 - 8 The banks don't understand procedures
 - 11 Lack of communications between banks and SBA
 - 2 The banks don't care
 - 7 Application instructions are not clear
 - 16 Other (specify) _____

NOW WE'D LIKE TO ASK A FEW QUESTIONS ABOUT THE LOAN APPLICANTS USE OF SBA BUSINESS ADVICE AND ASSISTANCE.

19. How frequently, if ever, are applicants provided with business advice and assistance from each of the following groups.

	1	2	3	4	5	6
	Routinely	Frequently	Occasionally	Seldom	Rarely if ever	No basis to judge
Through bank loan officers or an existing bank management assistance group	6	16	20	3	1	2
SBA management assistance officers	3	15	17	6	3	2
SBA call contracting program		3	19	14	9	1
SBA score/ace volunteers	7	15	15	1	2	7
SBA small business institute	1	7	15	12	11	2
Private consultants (CPA's, attorneys, consultants)	1	15	14	9	5	4
Other (specify)	1	1	1			

20. How is a loan applicant's need for business advice most usually identified?

8 Self-identified by business owner

19 Identified by SBA loan officer

17 Identified by banker/accountant/lawyer

3 Other (please specify) _____

AVERAGE _____

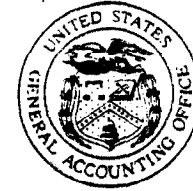
21. Based on your experience, what percentage of loan applicants should receive business advice and assistance?

66 %

22. In general, how satisfied or dissatisfied do you believe applicants are with each of the following five aspects of the business advice and assistance process.

	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied
Timeliness of SBA assistance	6	28	7	3	1
Applicability of SBA advice and assistance to client's problems	2	32	7	4	
Understandability of SBA advice and assistance materials	3	29	8	3	1
Competence of SBA assistance personnel	6	25	9	3	2
Awareness of SBA assistance programs	3	17	16	4	1
Other (specify) _____					

THANK YOU FOR YOUR ASSISTANCE AND COOPERATION. IF YOU HAVE ADDITIONAL COMMENTS, PLEASE WRITE THEM BELOW AND ON THE BACK OF THIS SHEET.



U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF SMALL BUSINESSES' EXPERIENCES WITH SBA PROGRAMS

INSTRUCTIONS:

The U. S. General Accounting Office is an agency of Congress responsible for evaluating Federal programs. We are currently reviewing the Small Business Administration's (SBA) efforts to deliver financial and management assistance to small businesses.

The results of our review will be reported to the Congress. This questionnaire is an opportunity for you to provide information which could have a significant impact on any recommendations we might make.

This questionnaire is numbered only to aid us in our followup efforts and will not be used to identify you with your responses. All information you supply will be kept confidential and only summary totals will be used in our analyses and reports.

Throughout this questionnaire there are numbers printed within parentheses to assist our keypuncher in coding responses for computer analysis. Please disregard these numbers.

Please return the completed questionnaire in the enclosed self-addressed envelope within 5 days, if possible. If you have any questions, please contact Ray McIntosh at (206) 462-5356. We appreciate your participation and cooperation.

BACKGROUND:

1. Which of the following categories best describes your business' major activity? (Check one.)

- | | |
|----------------------|------------------------------|
| 1. 3 Agriculture | 6. 23 Wholesale (7) |
| 2. 1 Mining | 7. 81 Retail |
| 3. 35 Construction | 8. 79 Services |
| 4. 18 Manufacturing | 9. - Finance |
| 5. 16 Transportation | 10. 4 Other (Please specify) |

NOTE: The numbers which appear beside many of the questions indicate how many respondents answered in that manner. All respondents did not choose to answer every question. For this reason, and because some of the questions were not intended to be answered by every business, the number of responses for each individual question may total less than 260.

AVERAGE

2. How many full-time employees do you currently have? (Enter number, do not include yourself or unpaid family members.)
 12 Number full-time employees (8-11)
3. Approximately what were your gross receipts for fiscal year 1978? (Check one.)
 1. 42 Less than \$49,999 (8-12)
 2. 38 \$50,000-\$99,999
 3. 57 \$100,000-\$249,999
 4. 30 \$250,000-\$499,999
 5. 36 \$500,000-\$999,999
 6. 37 \$1,000,000-\$4,999,999
 7. 7 \$5,000,000-\$9,999,999
 8. 5 More than \$10,000,000
4. During the past 5 years, has your business sought or applied for any long-term loans (greater than 1 year) from any source such as banks, finance companies, government agencies? (Check one.)
 1. 133 Yes (13)
 2. 127 No If no, skip to question 6.
5. How much difficulty, if any, did your business have in obtaining needed long-term loans (greater than 1 year) during the past 5 years? (Check one.)
 1. 65 Little or no difficulty (14)
 2. 19 Some difficulty
 3. 16 Moderate difficulty
 4. 16 Great difficulty
 5. 19 Very great difficulty

SBA PROGRAMS:

6. SBA offers a variety of programs to small businesses. SBA has responsibility to see to it that businesses are aware of the programs. Have you heard, from any source, about each of the following SBA programs? (Check Yes or No for each.)

	Yes No		
	1	2	
Financial Programs			
1. SBA Guaranteed Bank Loans-- Loans made by bank and guaranteed by SBA	113	141	(15)
2. SBA Direct Business Loans-- Loans made directly by SBA	85	159	(16)
Management Programs			
3. Small Business Institute (SBI)-- Business counseling provided through colleges or universities	64	182	(17)
4. SCORE (Service Corps of Retired Executives) or ACE (Active Corps of Executives)--Volunteer arm of SBA management assistance program	69	180	(18)
5. SBA Management Assistance-- Assistance provided by staff of SBA to small businesses and individuals	56	190	(19)
6. Call Contracting--Consultants hired by SBA to provide management assistance to qualified businesses	25	223	(20)
7. SBA Publications--Written information regarding business issues available to individuals and businesses	71	176	(21)

IF YOU CHECKED NO TO ALL IN 6 ABOVE, SKIP TO QUESTION 8.

7. From which of the following sources have you obtained information about SBA programs? (Check all that apply.)
1. 44 Business organizations (Chamber of Commerce, etc.) (22)
 2. 70 Newspapers and periodicals (23)
 3. 59 Banker (24)
 4. 31 Accountant or lawyer (25)
 5. 58 Business associates (26)
 6. 18 SBA sponsored seminars (27)
 7. 5 SBA "Circuit Rider" (28)
 8. 27 Television-Radio advertisements (29)
 9. 5 Federal agency other than SBA (30)
 10. Other (please specify) _____ (31)

SBA FINANCIAL ASSISTANCE:

8. Have you ever contacted SBA or a bank regarding an SBA loan? (Check one.)
1. 74 Yes (32)
 2. 184 No If no, skip to question 10.
9. Have you ever actually received an SBA loan (guaranteed or direct)? (Check one.) (33)
1. 21 Yes If yes, skip to question 11.
 2. 63 No
10. Which of the following is the main reason why you have never contacted or obtained an SBA loan? (Check one.)
1. 54 Did not need financial assistance (34)
 2. 9 Did not qualify for SBA assistance (35)
 3. 41 Other sources of financial assistance were readily available (36)
 4. 16 Did not want to deal with SBA (37)
 5. 58 Not familiar enough with SBA programs (38)
 6. 3 Banker advised against SBA (39)
 7. 3 Accountant or lawyer advised against SBA (40)
 8. 2 SBA office location not convenient (41)
 9. 44 Other (please specify) _____ (42)

IF YOU DID NOT RECEIVE AN SBA LOAN AND ANSWERED QUESTION 10, SKIP TO QUESTION 12.

11. Overall, how satisfied or dissatisfied were you with the SBA loan program? (Check one.)
1. 8 Very satisfied (43)
 2. 10 Generally satisfied
 3. 7 Neither satisfied nor dissatisfied
 4. 4 Generally dissatisfied
 5. 1 Very dissatisfied

SBA MANAGEMENT ASSISTANCE:

12. Have you ever contacted SBA regarding any management advice, information, or assistance? (Check one.) (44)
1. 27 Yes
 2. 230 No If no, skip to question 15.

APPENDIX V

APPENDIX V

13. Listed below are some types of management advice and assistance SBA does provide. Please indicate whether or not you have ever obtained each type of assistance. (Check Yes or No for each.)

	Yes		No		
	1	2	1	2	
1. SBA Management Assistance-- Staff of SBA provides assistance and advice to small businesses and individuals	9	21			(45)
2. SCORE (Service Corps of Retired Executives) or ACE (Active Corps of Executives) --Volunteer arm of SBA management assistance program	9	21			(46)
3. Small Business Institute-- Business counseling provided through colleges or universities	3	26			(47)
4. Call Contracting--Consultants hired by SBA to provide management assistance to qualified businesses	3	27			(48)
5. Other (please specify)	1	1			(49)

▶ IF YOU CHECKED NO TO ALL IN QUESTION 13, SKIP TO QUESTION 15.

14. Overall, how satisfied or dissatisfied were you with the management advice, information, or assistance you received from SBA? (Check one.)

- 1. 3 Very satisfied (50)
- 2. 2 Generally satisfied
- 3. 7 Neither satisfied nor dissatisfied
- 4. 2 Generally dissatisfied
- 5. 6 Very dissatisfied

▶ IF YOU OBTAINED SBA MANAGEMENT ADVICE/ ASSISTANCE AND ANSWERED 14, SKIP TO QUESTION 16.

15. Which of the following is the main reason why you have never sought or obtained SBA management assistance? (Check one.)

- 1. 74 Did not feel I needed assistance (51)
- 2. 75 Was unaware of assistance provided by SBA (52)
- 3. 27 Was able to get needed assistance from other sources (53)
- 4. 9 Did not want to deal with SBA (54)
- 5. 3 Banker advised against going to SBA (55)
- 6. 2 Accountant or lawyer advised against going to SBA (56)
- 7. 5 SBA office location not convenient (57)
- 8. 34 Other (please specify) _____ (58)

ADDITIONAL COMMENTS:

16. If you have additional comments on any of the items within the questionnaire or related topics not covered, please write your comments below. (59)

NOTE: This questionnaire is a summary of the responses from businesses sampled within the Anchorage, Chicago, Honolulu, and Seattle SBA district boundaries.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

NOV 24 1980

Mr. Henry Eschwege
Director
Community and Economic Development
Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of October 29, 1980, requesting this Agency's comments on your draft report entitled, "SBA's Pilot Programs to Improve Delivery of Guaranty Loans Need Further Development."

First, we want to state that we are in full agreement with the report and that initiatives are in process to address each of the recommendations in the report as follows:

Recommendation: ". . . require the simplified loan application forms and processing procedures developed in the region X pilot program be adopted agencywide."

Response: Forms are now being revised and nationwide usage is expected by March 1, 1981.

Recommendation: ". . . to widen the base of participation among lenders, inform banks of SBA's efforts to reduce loan processing time and simplify loan application documents."

Response: With regard to this recommendation, a number of initiatives have been taken as follows:

- a. Created on October 30, 1980, an Office of Lender Relations and Certification.
- b. This new office, working with our Office of Public Communications, is developing a "marketing/outreach" program. We expect that this will be completed by March 31, 1981.
- c. The Bank Certification Program (BCP) is being expanded to include at least an additional 250 participating banks and bank eligibility criteria will be less stringent with respect to volume requirements of smaller banks; i.e., less than \$300 million in deposits.

Mr. Henry Eschwege

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The draft of the new criteria was sent to our field offices for comment on November 3, 1980.

- d. During fiscal year 1981 in Regions IV, V and VII, we will pilot BCP "clearinghouse banks." The "clearinghouse bank" will be a BCP participating bank through which small banks can participate in this program. This method can better market SBA to small banks in more rural communities with a further advantage being the processing and servicing strengths of the BCP participating bank.

Recommendation: ". . . monitor the activities of the banks operating under the bank certification program to assure compliance with rules, regulations and guidelines of the program."

Response: Development of a monitoring system is in process and is expected to be completed by March 31, 1981.

We wish to express our appreciation for the opportunity to comment on this report and if you need any additional information, please advise.

Sincerely,

William H. Maulff

A. Vernon Weaver
Administrator

acting

(077900)

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