Strategic Goal One – Growing Businesses and Creating Jobs

Strategic Objective 1.1: Capital

Expand access to capital through SBA's extensive lending network

FY 2014 - 2015 Priority Goal: Expand access to capital by adding 325 new and returning lenders to SBA's flagship 7(a) loan program each year for FY 2014-2015
FY 2016 - 2017 Priority Goal: By September 30, 2017, expand access to capital for small businesses by increasing the number of active lenders in SBA's 7(a) loan program from 2,244 (FY 2014) to 2,500
Performance Goal: Support 726,900 jobs through capital assistance programs in FY 2017
Objective Lead: Associate Administrator, Office of Capital Access
Programs/Activities: 7(a) loans, 504 Certified Development Company loans, 504 Refi, Secondary Market Guaranty, Microloans, Surety Bond Guaranty, Small Business Development Centers (SBDC), Women's Business Centers (WBC), SCORE, U.S. Export Assistance Centers
Strategies:

1. Offer loan guaranty products to assist small businesses in obtaining financing when they do not qualify for conventional credit
2. Strengthen and expand the network of lenders offering SBA products
3. Leverage network of resource partners to assist small businesses' access to capital
4. Offer a guaranty surety bond product for small and emerging contractors

Access to capital is critical to the long-term success of America's small businesses. The top priority at the SBA is to get lending flowing to small businesses. As the markets have improved from the recession, the SBA is working to ensure that remaining gaps in the commercial markets are filled and that small businesses are well positioned to take advantage of opportunities as the economy strengthens. The Agency also continues to streamline and simplify its loan programs to make its products more attractive to lenders and borrowers.

Small businesses that receive an SBA-backed loan report on the number of jobs that will be supported by the loan. Jobs supported are an important outcome measure of the effectiveness of SBA financing and provide an indication of the Agency's impact on the economy. Providing a variety of loan products, including 7(a) loans, 504 loans, and microloans in an easy and streamlined manner through a large network of active lenders and increased referrals from SBA's network of counseling and training partners is how the SBA plans to support job creation and retention through financial assistance programs.

Progress Update: The SBA made substantial progress toward its Priority Goal in 2015 by adding 292 new 7(a) lenders to its network. While the SBA did not meet its FY 2015 target, the 7(a) loan program increased by 23 percent from FY 2014, leading to a record year of approvals in volume and dollars. Bank mergers have impacted the number of active lending partners providing the number of 7(a) loans. This goal continued to help expand SBA's footprint to increase small business access to capital. In addition, significant progress continued to be made streamlining and simplifying the loan application process, decreasing processing time, and lowering costs to participants. The number of jobs supported from 7(a) loans, 504 loans, microloans, and surety bond guaranties has increased since 2010 with the FY 2015 results showing nearly 729,000 jobs supported.

Table 1.1a shows progress toward the FY 2014-2015 Priority Goal of bringing new lenders into the 7(a) SBA lending network and the FY 2016-2017 Priority Goal of maintaining active lenders in the 7(a) SBA lending network.

Table 1.1a: 7 (a) New and Active Lenders Priority Goals

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of New 7(a) Lenders	**Target**	N/A	N/A	N/A	Baseline	325	325		
	Actual	N/A	N/A	312	306	308	292		
	Variance	N/A	N/A	N/A	N/A	-5%	-10%		
Additional Information: A new 7(a) lender is any lender that has not approved a loan in the previous two fiscal years. While SBA did not meet its FY 2015 target, the 7(a) loan program increased by 23% from FY 2014, leading to a record year of approvals in volume and dollars. The FY 2016-2017 Agency Priority Goal focuses on maintaining active lenders.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Active Lending Partners providing 7(a) Loans	**Target**	2,800	3,000	2,700	2,800	2,850	2,850	2,400	2,500
	Actual	3,061	3,537	2,476	2,345	2,244	2,163		
	Variance	9%	18%	-8%	-16%	-21%	-24%		
Additional Information: The FY 2010 and FY 2011 results are a cumulative two year goal, so the FY 2011 actual is a two-year cumulative number. Beginning in FY 2012, the indicator is reported annually. Bank mergers have impacted the number of active lending partners providing 7(a) loans. SBA's FY 2014-2015 Priority Goal to increase new and returning 7(a) lenders has reduced the decline from FY 2012 to FY 2014. This measure will be a FY 2016-2017 Agency Priority Goal which will focus on maintaining active lenders.									

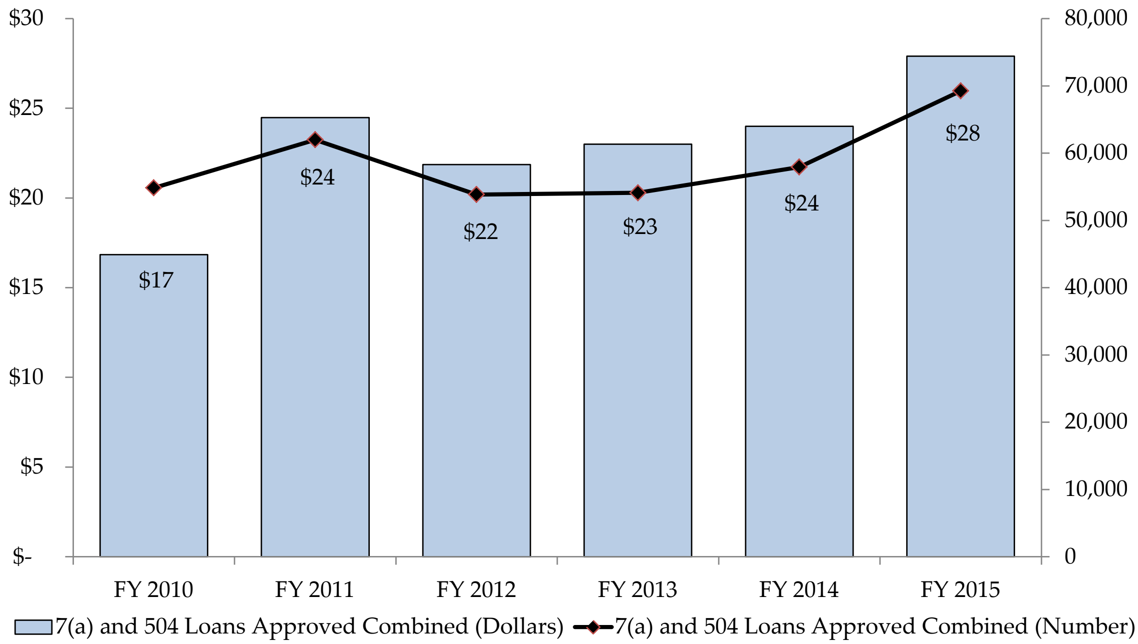
Table 1.1b provides results and targets on lending supported from combined 7(a) and 504 loans and the number of jobs supported from 7(a), 504, microloans, and surety bond guaranties.

Table 1.1b: 7(a), 504, Microloan and Surety Bond Guarantee Performance Goals

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Billions of Dollars of Lending Supported by 7(a) and 504 Loans	**Target**	20.2	23.7	22.4	23.7	24.3	24.8	30.9	34.4
	Actual	22.4	30.5	30.3	29.6	28.7	33.3		
	Variance	11%	29%	35%	25%	18%	34%		
Additional Information: The sum of the dollars of 7(a) loans approved is equal to the dollars of lending supported. For 504 loans supported, the calculation is the sum of 504 loans approved times 2.25, which represents the additional amount of private loan capital.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Jobs Supported by 7(a), 504, Microloans and Surety Bond Guarantee	**Target**	777,335	641,400	574,800	654,000	674,850	688,650	711,400	726,900
	Actual	583,737	700,736	609,437	621,869	615,364	728,820		
	Variance	-25%	9%	6%	-5%	-9%	6%		
Additional Information: The SBA established this performance goal in FY 2011 and has provided historical data for context. Continuation of the streamlining process has a positive impact on jobs supported.									

Chart 1.1 shows the combined 7(a) and 504 loans approved. About 92 percent of the total number of loans processed are 7(a) loans, and 7(a) loans account for approximately 85 percent of the approved lending dollars.

Chart 1.1: 7(a) and 504 Loans Approved Combined ($ Billions and Number of loans)



Strategy 1: Offer loan guaranty products to assist small businesses in obtaining financing when they do not qualify for conventional credit

SBA loan guaranty programs play a critical role ensuring access to capital for small businesses that in turn provide meaningful job growth and retention that drives the economy. When a small business is unable to obtain credit elsewhere on reasonable commercial terms, SBA's loan guaranty programs provide adjusted terms (e.g. longer maturities) to encourage lenders to make loans.

The **7(a) Loan** program is the federal government's primary small business loan program, assisting small businesses to obtain financing when they are unable to obtain traditional credit. The SBA guarantees a portion of each loan (ranging from 50 to 90 percent) that participating lenders make to eligible small businesses. The 7(a) loan program enables small businesses to obtain financing of up to $5 million for various business uses with loan maturities up to 25 years. The 7(a) loan program allows small businesses with limited access to traditional capital markets to secure startup and growth funding that helps to increase employment, provide services to communities, and expand the local tax base. In support of the FY 2016-2017 Agency Priority Goal, the SBA is increasing small business access to capital by increasing the number of active lenders each fiscal year for the 7(a) loan program. Maintaining a high volume of active lenders from one fiscal year to the next will create a consistent pipeline of SBA loans for small businesses.

Table 1.1c displays the cost to administer the program. It includes direct costs from the operating budget, including contracts, compensation and benefits, Agency-wide costs such as rent and telecommunications, and indirect costs. The table does not include funds from the American Recovery and Reinvestment Act of 2009 and Small Business Jobs Act of 2010. Lender Oversight is not included in the total program cost and activities beginning in FY 2014.

Table 1.1c: 7(a) Budget – Total Administrative Resources (Thousands)

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
$ 95,090	$ 88,000	$ 93,610	$ 75,390	$ 66,578	$63,013	$65,989	$66,126

Table 1.1d provides the targets and results for the 7(a) loan performance indicators.

Table 1.1d: 7(a) Performance Indicators

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Billions of Dollars of 7(a) Loans Approved	**Target**	11.1	12.8	13.2	14.5	14.8	15.1	21.0	24.3
	Actual	12.4	19.6	15.2	17.9	19.2	23.6		
	Variance	12%	53%	15%	23%	30%	56%		
Additional Information: Improvements in 7(a) program delivery and reduced fees continue to make 7(a) loans program to small businesses and small business lenders.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Small Businesses Assisted by 7(a) Loans	**Target**	37,500	40,700	40,000	38,700	39,500	39,500	45,000	55,000
	Actual	41,705	46,749	39,022	40,574	45,730	55,742		
	Variance	11%	15%	-2%	5%	16%	41%		
Additional Information: 7(a) loan activity increased across all loan sizes but the streamlined processing for loans under $350,000 was particularly effective in increasing the number of small businesses assisted by 7(a) loans.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Jobs Supported by 7(a) Loans	**Target**	625,500	474,100	470,000	547,200	558,100	569,300	580,100	591,000
	Actual	473,502	582,707	454,814	483,976	503,853	623,466		
	Variance	-24%	23%	-3%	-12%	-10%	10%		
Additional Information: 7(a) loan activity increased across all loan sizes but the streamlined processing for loans under $350,000 was particularly effective in increasing the number of small businesses assisted by 7(a) loans.									

FY 2015 Accomplishments and Challenges

The SBA did not receive a credit subsidy appropriation for the 7(a) loan program, relying instead on fees to cover the cost to support $23.6 billion in lending. This financing supported more than 620,000 jobs and assisted more than 55,000 small businesses.

Improvements in program delivery and portfolio performance resulted in a small reduction in servicing fees for lenders in FY 2015. The program is now receiving all loan applications electronically. The SBA implemented the SBA One electronic application submission in the fourth quarter of FY 2015. The format provides significantly more data on 7(a) loans with additional information that enhances program risk management, streamlines payment and reporting, improves efficiency of secondary market functions, and ensures lenders have access to real time data on their performance.

The SBA continues to support and expand full adoption of the use of credit scoring in the streamlined delivery of 7(a) small-dollar loans ($350,000 and under). Additional traction is anticipated as the SBA identifies other best practices for delivering these products. Underserved communities and businesses represent a higher percentage of small-dollar loan recipients because of challenges in obtaining financing from traditional sources. The Agency's efforts to reach more small and underserved businesses are enhanced by streamlined loan delivery.

The SBA waived borrower (up-front) and annual fees on 7(a) loans of $150,000 or less, resulting in 37,705 loans approved that supported nearly $2.3 billion in lending. As part of the mission to support and increase loans to veterans, the SBA supported **Veterans Advantage**, which eliminated borrower (up-front) fees on **SBAExpress** loans to qualifying veteran-owned small businesses, and reduced fees by 50 percent on all non-express 7(a) loans greater than $150,000 up to and including $5,000,000. Veterans received 3,354 in 7(a) loans totaling $1.4 billion in FY 2015. See Strategic Objective 2.1 (inclusive entrepreneurship) for more information on fee relief and veterans outreach.

In FY 2015, the SBA began accepting electronic signatures for SBA loan applications, provided that lenders and certified development companies comply with federal guidelines. The impact of streamlined processing implemented in FY 2015 for 7(a) small-dollar loans, in addition to the electronic signatures and loan applications implementation, is projected to result in increased small loan activity in FY 2017.

In July 2015, demand for 7(a) loans exceeded the authority granted by Congress, and the SBA was unable to approve new loans for a short period. Congress quickly took action to raise 7(a) authority, leading to record lending for the fiscal year. To prevent future events of this type, the SBA is requesting that the Administrator be granted authority to raise the program's lending cap by 15 percent when subsidy is zero and with 15 days' notice to Congress. The SBA will also be providing quarterly reports to Congress on lending activity.

<u>FY 2016 and FY 2017 Planned Performance</u>
The SBA requests no credit subsidy appropriation for the 7(a) loan program and plans to rely on fees to support lending up to $26.5 billion in FY 2016 and $27 billion in FY 2017. Also in FY 2017, the SBA is requesting authority be given to the Administrator to increase lending authority by not more than 15 percent when subsidy is zero and the Administrator notifies Congress in writing at least 15 days in advance of implementing an increase. In FY 2017, to continue to spur lending in underserved markets, the SBA will continue to waive 100 percent of borrower (up-front) fees and annual fees on 7(a) loans up to $150,000, waive 50 percent of borrower (up-front) fees on all non-SBAExpress loans to veterans of $150,001 up to and including $500,000, and waive 100 percent of borrower (up-front) fees on SBAExpress loans to veterans (up to $350,000) as long as subsidy remains zero.

The **504 Certified Development Company** loan program is one of SBA's key economic development programs, providing "brick and mortar" and/or major equipment financing. This program statutorily mandates job creation, community development, or public policy goals to support economic development. A typical 504 project includes a loan from a private sector lender with a senior lien and an SBA-backed loan from a certified development company (CDC) in a second position. The maximum size of a 504 loan is $5 million; however, 504 loans for small manufacturers and energy related projects can be as much as $5.5 million.

Table 1.1e displays the cost to administer the program. It includes direct costs from the operating budget, including contracts, compensation and benefits, Agency-wide costs such as rent and telecommunications, and indirect costs. Lender oversight is not included in the total program cost and activities beginning in FY 2014.

Table 1.1e: 504 Budget – Total Administrative Resources (Thousands)

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
$ 36,232	$ 38,888	$ 39,612	$ 40,474	$ 39,410	$40,018	$41,909	$41,996

Table 1.1f provides the targets and results for the 504 loan performance indicators.

Table 1.1f: 504 Performance Indicators

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Billions of Dollars of 504 Loans Approved	**Target**	4.0	4.8	4.1	4.1	4.2	4.3	4.4	4.5
	Actual	4.4	4.8	6.7	5.2	4.2	4.3		
	Variance	10%	0%	63%	27%	0%	0%		
Additional Information: The SBA established this performance indicator in FY 2010. The number of CDCs is decreasing and the results of FY 2012 and FY 2013 demonstrate higher funding levels from the Small Business Jobs Act.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Small Businessess Assisted by 504 Loans	**Target**	5,600	8,100	6,800	6,400	6,500	6,500	6,700	6,800
	Actual	7,664	7,752	9,038	7,502	5,725	5,618		
	Variance	37%	-4%	33%	17%	-12%	-14%		
Additional Information: While the SBA did not meet the FY 2015 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs and loan eligibility restrictions should have a positive impact on future results.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Jobs Supported by 504 Loans	**Target**	133,000	88,800	75,900	79,400	81,000	82,600	84,300	86,000
	Actual	82,543	87,337	116,569	90,257	66,744	61,454		
	Variance	-38%	-2%	54%	14%	-18%	-26%		
Additional Information: While the SBA did not meet the FY 2015 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs and loan eligibility restrictions should have a positive impact on future results.									

FY 2015 Accomplishments and Challenges

The SBA revised its 504 regulations to expand eligibility and strengthen governance and oversight of the program with the objectives of simplifying processes and eliminating non value-added regulatory burden on CDCs. As a complement to this simplification effort and consistent with the re-engineering of the servicing center, the Agency reviewed loan administration processes so that some practices can be eliminated while strengthening program integrity. The SBA implemented new procedures for oversight and monitoring and introduced a new benchmarking system (SMART) for CDC oversight.

The SBA supported $4.3 billion in 504 loans through the Certified Development Company program. The pricing on debentures has been extremely beneficial to small business borrowers with historically low rates (2.46 percent for 20-year rates in 2015). The SBA anticipates an increase for FY 2016 loan volume due to improved economic conditions and a rule to increase the number of eligible participants that became effective April 21, 2014. The overall goal is to continue to eliminate unnecessary regulatory burdens and loan eligibility restrictions.

The 504 loan program made improvements in loan policy, loan processing and servicing, liquidation and recovery, and lender oversight. The Central Servicing Agent made numerous systems improvements for portfolio management and revenue tracking. The SBA remodeled the CDC monitoring and tracking tool with the new SMART system. SMART is similar to the FDIC's CAMELS ratings; it reviews each CDC's solvency, management, asset quality, regulatory compliance, and technical issues.

The SBA reviewed the activity levels of all CDCs and worked diligently to address underperforming CDCs in order to continue improving program delivery. This project may lower the number of CDCs licensed; however, the SBA continues to encourage participation of new CDC candidates.

<u>FY 2016 and FY 2017 Planned Performance</u>

In FY 2016 and FY 2017, the SBA requests no credit subsidy appropriation for the 504 loan program and plans to rely on fees to support up to $7.5 billion in lending each year. In FY 2016, this financing is expected to support more than 84,000 jobs and assist 6,700 small businesses. In addition, the temporary debt refinancing program that expired on September 27, 2012 was reauthorized by Public Law 114-113, and the SBA plans to re-implement this program during FY 2016. This program would have no subsidy cost but would support an additional $7.5 billion in lending each year. The 504 Refi loan program allows borrowers to refinance certain debt and lock in the cost of a portion of their existing debt without a business expansion component, often for substantially less than their current monthly payments.

The SBA plans to continue implementation of the revised 504 regulations and policy, specifically on affiliation and franchise review. The Agency will conduct training and provide technical assistance to CDCs for capacity building and will coordinate with federal partners, lenders, and trade associations to create opportunities for program improvements and expansion. The SBA will enhance the CDC management system tool, which tracks and provides feedback to SBA and CDCs, and will further develop SMART, which tracks corporate governance and compliance. These solutions improve program efficiency and monitoring for the 504 loan program.

The SBA offers a variety of specialized loan products to expand access to capital for small businesses in a variety of business ventures. For example, **Microloans** and **Community Advantage** loans are specifically targeted for underserved markets. These loan products are described in more detail under Strategic Objective 2.1 (inclusive entrepreneurship).

Strategy 2: Strengthen and expand the network of lenders offering SBA products

SBA loan programs remain critical to boost the supply of small business loans for small business owners who cannot access conventional credit. The SBA has strengthened relationships with existing SBA lenders. To retain existing lenders, the Agency focuses on improving customer service and reducing average payment time of less than 30 days for guaranty purchases when lenders submit complete packages. The Agency also works with existing and new lenders to ensure they have the tools and resources they need to increase the volume of SBA loans.

Increased efficiency and an improved loan application submission experience are essential to growth in the quantity of small businesses assisted and attracting active lending partners. The SBA continues to increase use of technology and electronic loan applications for the 7(a) and 504 loan programs to improve quality and reduce the complexity of the lending process.

Table 1.1g provides the targets and results for the number of active 7(a) and 504 lending partners.

Table 1.1g: 7(a) and 504 Lender Partner Performance Indicators

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of Active Lending Partners Providing 7(a) Loans	**Target**	2,800	3,000	2,700	2,800	2,850	2,850	2,400	2,500
	Actual	3,061	3,537	2,476	2,345	2,244	2,163		
	Variance	9%	18%	-8%	-16%	-21%	-24%		
Additional Information: The FY 2010 and FY 2011 results are a cumulative two year goal, so the FY 2011 actual is a two-year cumulative number. Beginning in FY 2012, the indicator is reported annually. SBA One will effectively spread the cost of SBA lending across a growing network of lenders that do not need SBA experts to be participants in the 7(a) loan market. Bank mergers have impacted the number of active lending partners providing 7(a) loans. This measure will be a FY 2016-2017 Agency Priority Goal.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Active Lending Partners Providing 504 Loans	**Target**	267	267	267	267	267	240	240	240
	Actual	267	249	256	247	228	228		
	Variance	0%	-7%	-4%	-7%	-15%	-5%		
Additional Information: The SBA reviewed the activity levels of CDCs, and worked diligently to address underperforming CDCs in order to continue improving program delivery. The SBA continues to actively recruit new CDC candidates.									

FY 2015 Accomplishments and Challenges

The SBA continues to make enhancements and has implemented several components of SBA One. SBA One is an online lending platform for 7(a) loans, including SBAExpress. SBA One creates a one-stop shop for origination, including credit scoring, closing, and purchase and provides one dashboard to measure and evaluate portfolio trends and performance. The platform uses existing web-based lending software, which reduces the need to develop costly infrastructure and streamlines internal processes.

The SBA continued to support the transition of the Central Servicing Agent contract to address IT security and operational issues and identify innovative technology projects to improve the 504 loan program.

Additionally, data analytics supported many initiatives including SBA One and credit scoring, new loan program policies and procedures, and risk management processes. In support of policy changes, the SBA enhanced its systems. SBA programs rely on systems being available to support the loan and lender credit risk management and oversight processes. The SBA completed several IT security upgrades including integration of the loan authorization wizard into E-Tran, data center planning, and microloan system enhancements.

FY 2016 and FY 2017 Planned Performance

The SBA will work to increase the number of active lending partners to further expand access to capital for small businesses with the goal of achieving the participation of 2,500 active lenders in the 7(a) loan program and 240 CDCs in the 504 loan program in FY 2017.

The SBA will continue to rely on information systems to support the loan and credit risk management processes. The following activities will continue: delivering data and analysis for loan programs; managing L/LMS (Loan and Lender Monitoring System), the lender portal, SAS datasets, SAS business intelligence tool, and the Disaster Loan Monitoring System; supporting web-based loan systems for 504, 7(a), disaster assistance loan funding and servicing, Surety Bond Guarantee, guaranty purchases, and micro lenders; operating a Federal Information Security Management Act-compliant 24-hour data center with an alternate processing site; modernizing Common Business Oriented Language; and streamlining origination and lender risk management processes.

Strategy 3: Leverage network of resource partners to assist small businesses' access to capital

Each year, more than one million entrepreneurs come through SBA's resource partner network of small business development centers (**SBDC**), women's business centers (**WBC**), **SCORE** chapters, and veterans business outreach centers (**VBOC**). SBDC, WBC, SCORE and VBOC business advisors help these entrepreneurs gain access to capital through traditional bank financing, SBA-guarantied loans, equity contributions from angel investors, and venture capitalists that can help them expand their businesses. For more information on entrepreneurial development, see Strategic Objective 1.3 (entrepreneurship) and 2.1 (inclusive entrepreneurship).

<u>FY 2015 Accomplishments and Challenges</u>

Professional SBDC business advisors helped clients obtain more than $4.7 billion in capital through SBA loans as well as conventional loans for their businesses. Women's business centers helped many small businesses work with microlending institutions, helping them access millions of dollars in loans. About 35 percent of WBCs are co-located with a microlending program. Consistent with the previous year, the WBC training conference focused on gaining access to capital. The WBCs are encouraged to collaborate with local lenders and microlenders as a way to help more women entrepreneurs access capital. SCORE volunteers also provided thousands of hours to help entrepreneurs gain access to capital.

<u>FY 2016 and FY 2017 Planned Performance</u>

The SBA will continue to make capital infusion a primary goal of the SBDC program. The SBDC network will leverage relationships with the lenders and investors to support the capital acquisition needs of entrepreneurs. The WBCs will continue working closely with new entrepreneurs and microlending institutions. It is anticipated that the WBCs will help their clients access $65 million in loans in FY 2016 and $75 million in loans in FY 2017. SCORE will continue to help small businesses access capital by providing mentoring and online educational training workshops on finance. Several chapters will continue to offer online courses and business workshops that explain the various sources of financing and provide information on how to assess a company's financial needs.

Strategy 4: Offer a guaranty surety bond product for small and emerging contractors

SBA's Surety Bond Guarantee program provides access for small and emerging contractors to compete for and receive construction, service, and supply projects. Many federal, state, local, and private projects require a contractor to obtain bonding, which can be difficult in conventional commercial channels for small businesses without extensive credit histories or experience. The Surety Bond program provides small contractors with an avenue to obtain bonding and continue to grow.

Under the **Surety Bond Guarantee** program, the SBA guarantees bid, payment, and performance bonds on contracts up to $6.5 million and up to $10 million with a federal contracting officer's certification for small and emerging contractors who cannot obtain bonding through regular commercial channels. The SBA guarantees between 70 and 90 percent of the loss if a contractor defaults, which provides sureties with the incentive to issue bonds to eligible small businesses, thus increasing small business access to public and private contracting opportunities.

Table 1.1h displays the cost to administer the program. It includes direct costs from the operating budget, including contracts, compensation and benefits, Agency-wide costs such as rent and telecommunications, and indirect costs.

Table 1.1h: Surety Bond Budget – Total Administrative Resources (Thousands)

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
$ 6,175	$ 4,865	$ 5,477	$ 4,615	$ 4,927	$4,594	$4,811	$4,821

Table 1.1i provides the targets and results for the surety bond guarantee performance indicators.

Table 1.1i: Surety Bond Guarantee (SBG) Performance Indicators

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Contract Value (Billions) of Bid and Final Bonds	**Target**	3.50	3.32	3.70	3.70	5.70	6.50	6.75	7.10
	Actual	4.00	3.66	3.92	6.15	6.41	6.35		
	Variance	14%	10%	6%	66%	12%	-2%		
Additional Information: A new underwriting unit was formally established, which has helped to strengthen relationships with surety agents.									
		FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Bid and Final Bonds Guaranteed	**Target**	7,200	7,600	8,850	8,850	13,500	13,750	14,000	14,700
	Actual	8,348	8,638	9,503	12,866	12,384	11,480		
	Variance	16%	14%	7%	45%	-8%	-17%		
Additional Information: This year, the Agency produced fewer bonds but supported a larger number of jobs from these bonds.									

		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of Jobs Supported by SBG	**Target**	6,100	64,000	14,900	14,900	23,000	24,000	32,000	34,000
	Actual	14,080	17,421	24,774	32,000	28,887	27,300		
	Variance	131%	-73%	66%	115%	26%	14%		
Additional Information: The SBA developed a more precise methodology in FY 2010 to calculate the number of jobs supported. It now collects the data directly from the surety bond contracts. A new underwriting unit was formally established, which has helped strengthen relationships with surety agents. The number of jobs created and retained is greater on large contracts.									

FY 2015 Accomplishments and Challenges

The SBA guaranteed more than 11,000 bid and final (payment and performance) bonds for a combined contract value of nearly $6.4 billion, resulting in a total of 27,300 jobs supported. The Agency continued to strengthen its relationships with agents representing participating sureties and ensure small contractors have access to a surety agent convenient to their geographical location. The application cycle time has averaged about 2 days, which is well below the goal of 4.5 days. The Agency also proposed to revise the regulations to clarify requirements for surety company participation and to address future eligibility for defaulted contractors who cause a loss to the government. By rewriting standard operating procedures, surety agents have more clear information on requirements.

FY 2016 and FY 2017 Planned Performance

The SBA will explore the implementation of electronic signature for SBG applications, which will decrease application time and expenses for participating surety companies and agents. This initiative is expected to result in increased surety bond guaranty activity.

The Agency will also focus marketing and outreach efforts on underserved communities and geographically diverse areas of the country. Efforts will continue to strengthen relationships with existing surety partners and to add participants to offer bonding to more small businesses. The Surety Bond Guarantee program will support 32,000 jobs in FY 2016 and 34,000 jobs in FY 2017.

The National Defense Authorization Act of FY 2016 increased the maximum guaranty percentage in the Preferred Surety Bond program from up to 70 percent to up to 90 percent, effective November 25, 2016. The SBA will consider how to implement the provisions of this Act during FY 2016, including how to expand program oversight with the increased guarantee percentage. Increasing surety participation will enhance bonding opportunities for more small businesses and increase the capacity to support additional jobs.