

# The Direct Line to More-and More Profitable-SBA Lending

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The global pandemic witnessed a swift and significant rise in the number of lenders cooperating with the Small Business Administration (SBA) to provide low-cost government-backed small business loans to millions of businesses on the brink of disaster. Under the auspices of the Paycheck Protection Program (PPP), nearly [10 billion loans totaling \\$762 billion](#) were granted to small businesses with the express purpose of allowing employers to bring unemployed workers back on the job.

While lenders who relied on conventional loan origination procedures struggled to meet the demand for these life-saving loans, their forward-thinking counterparts, who initiated a fully digital lending process, were able to capture a disproportionate share of PPP loan business. Platforms like Biz2X's automated PPP loan origination software afforded smaller banks, community banks, credit unions, and direct lenders to respond quickly, operate more efficiently, and disburse funds more rapidly as they managed a massive influx of PPP loan applications.

## The Outlook for SBA Lending Beyond PPP

The PPP is now in its second year. It has been refunded several times, most recently in March under guidelines set out in the [CARES Act](#) and the [American Rescue Plan Act of 2021](#). The PPP has gone through several iterations and during 2021 first introduced the opportunity for small businesses to apply for more than one loan. PPP loans are 100% forgivable provided that borrowers use the funds they receive in a manner consistent with program regulations and lenders are now tasked with helping customers secure loan forgiveness. The job keeps changing. Just look at the list of rules published on SBA.gov and you can quickly see how challenging it has been for lenders to keep up with the fast pace of the program. Lenders who have automated PPP loan origination have had a leg up in responding to program amendments and, more importantly, servicing loans as their customers' needs evolve. Most economists predict a gradual economic recovery. It's unclear whether the Federal government will issue another round of PPP funding, though it seems unlikely. But in either case, the demand for loans under multiple SBA loan programs is likely to remain high as small businesses continue to navigate post-COVID 19 financial challenges. And for institutions that seek to take advantage of the relatively low-risk and substantial volume of SBA lending business out there, taking the next step—adopting digital lending processes for a wider variety of SBA loans—will be critical to their success.

## How Wide is the World of SBA Lending?

Before anyone had ever heard of the Paycheck Protection Program, the SBA already offered an [impressive slate](#) of tailored Type 7(a) loans designed to meet a wide range of small business funding needs. Those loan types are still available today and will be,

presumably, for many years to come. Within that slate, borrowers can find the [loan amounts and terms](#) that suit them.

The SBA offers streamlined “express loans” that hasten the loan origination workflow and promise turnaround times of 36 hours. Unique programs for businesses expanding through international trade are available. From time to time, the SBA also creates pilot loan programs, including the current Community Advantage option, which is designed to assist small businesses in underserved markets. Military veteran business owners can take advantage of lower fees when they take out an SBA loan. The SBA also offers a variety of short-term working capital loans. What’s more, participating SBA lenders have [secondary market](#) opportunities: they can sell the guaranteed portion of SBA loans to other lenders. The SBA also offers the [504 loan program](#), under which small businesses can borrow money to purchase or improve real estate or buy heavy equipment. All told, if your bank isn’t focused on originating SBA loans, that’s a lot of business you’re leaving on the table.

## Obstacles to SBA Lending

The SBA sets its own eligibility requirements and limits the fees lenders can charge for PPP and SBA 7(a) loans. These details vary depending on the loan type and are updated periodically. While individual lenders can negotiate interest rates with borrowers to a certain degree, the SBA caps interest rates to make borrowing under the SBA 7(a) program more affordable for small businesses. For many lenders, keeping up with rule changes, getting a handle on the wide range of SBA 7(a) loans, and conforming to regulations can be daunting. Recently, as general awareness of SBA loans—particularly thanks to Paycheck Protection Program loans—has grown, stats from the US Treasury Department indicates a [sharp incline](#) in [SBA loan fraud](#). That’s another piece of data that may give lenders pause before joining the ranks of SBA lenders and realizing the significant profit potential represented by affiliating with the SBA.

## SBA Paperwork and the E-Tran Portal

There are a couple of things all SBA loan programs have in common, though.

First on the list are the myriad specialized forms that lenders must submit to proceed with SBA loan applications. Hyper-strict, idiosyncratic documentation procedures sometimes discourage participation in the program from lenders.

Second on the list is how lenders must communicate with the SBA when processing SBA loan applications. All communications must be completed through E-tran, the SBA’s electronic portal. All loans must be assigned an E-tran number. E-tran is notoriously quirky. Even gaining access to the E-tran portal is complicated. And if you don’t have developers available to code an API integration into the SBA’s systems then you could be freighting your loan processors with hours of extra work trying to learn the systems and deal with the quirks of these government-run systems.

In addition, files uploaded through E-tran must be in the SBA’s stipulated XML format. This format doesn’t resemble lenders’ own customized XML files and doesn’t easily

integrate with most lenders' existing software. That's another hurdle some lenders find difficult to clear, especially if they don't have a dedicated business loan origination system that handles these integrations automatically.

## ***Biz2X Accelerate SBA* Breaks Down Barriers**

Biz2X offers a digital SBA lending solution that provides a smooth, seamless entrée for financial institutions of every size and mission into the world of SBA loan origination. Top banks have processed an astounding number of PPP loans in record time and are now managing PPP loan forgiveness using the same turnkey platform. These lenders are now equipped to serve borrowers from the full menu of SBA loans, now that PPP has expired.

*Accelerate SBA* affords lenders direct, painless integration into E-tran with no additional IT expenses. The platform is highly customizable, allowing lenders to brand the loan origination process, integrate third-party KYC applications they're already using, and apply loan decision rules established by their own underwriting departments.

*Accelerate SBA* also addresses the recent, serious uptick in SBA loan fraud. The platform minimizes risk for lenders through automated validation features including multi-factor authentication and IP address checks. Biz2X makes it easier for banks to implement Anti-Money Laundering (AML) and Know-Your-Customer (KYC) policies in an all-digital process. Digital review of bank statements helps alert lenders to loan stacking and other risk factors as well, post-origination.

And that's just what the platform does for lenders. *Accelerate SBA* comes with a pocketful of borrower benefits, too. It delivers that end-to-end digital experience today's borrowers are demanding. Biz2X's solution reduces friction (read frustration) and earns financial institutions greater customer loyalty. Coupled with the many attractive features of government-backed loans, that's a business-winning proposition for lenders.

## **Time for Lenders to Digitalize the SBA Loan Process**

The economic crisis and uncertainty brought on by the pandemic has made originating private small business loans riskier. Lenders are rightly concerned. If you're aiming to secure your institution's future, your business development plan should feature the right product mix. The relative safety of government-backed PPP, 7(a), and 504 loans and the massive number of SBA loan seekers we've seen and expect to see makes SBA lending a critical part of any institution's growth strategy. Working with an experienced platform provider can make easy to take advantage of the benefits of the many SBA loan programs in a fully digital environment.