

Dun & Bradstreet and Small Business Growth

Small business growth is largely dependent on access to capital – access to capital that the U.S. Small Business Administration affords by guaranteeing over \$100 billion in loans to small businesses. Dun & Bradstreet enables the sophisticated Loan and Lender Monitoring System with advanced analytic models, supporting business owners, improving small business viability, and strengthening the national economy.

PROGRAM MISSION

The U.S. Small Business Administration (SBA) aids, counsels, assists, and protects the interests of small business concerns. In order to help Americans start, build, and grow businesses, the agency works with banks and other lending partners to guarantee loans for small businesses through SBA's 7(a) and 504 loan programs. These programs are vital to preserving free competitive enterprise and strengthening the nation's economy, creating and retaining jobs for American workers, and supporting those who need capital the most – including minorities, women, veterans, and rural business owners.

THE CHALLENGE

SBA's 7(a) and 504 loan programs provide loan guarantees to small businesses that cannot obtain reasonable credit in the conventional lending market. As SBA's reliance on lenders to originate these loans continued to grow, the agency required more effective methods to monitor its portfolio and individual lender performance.

The agency determined that a loan and lender monitoring system – based on industry best practices for infrastructure, methodologies, and policies – would be an effective way to address credit risk in the SBA portfolio, facilitate oversight of SBA's lending partners, and help the agency stay within its congressionally approved budget. After many years and millions of dollars spent unsuccessfully attempting to develop a system internally, agency leadership turned to the private sector to ensure the agency has the necessary tools to conduct effective lender oversight and credit risk management.

THE SOLUTION

Today, responsible for a portfolio that guarantees over \$100 billion in loans, managed by over 3,800 lenders, SBA relies on

“Dun & Bradstreet supplies us amazing metrics on the lenders in our program. [The data and analysis] is broken down to a fantastic degree so that we get a clear picture of exactly what is going on with that lender.”

William Manger
Associate Administrator, Office of Capital Access
Small Business Administration

the Loan and Lender Monitoring System (L/LMS) developed by Dun & Bradstreet. Comparable to systems utilized by major commercial banks, the system is accessible through an online Lender Portal interface accessible by SBA field analysts and lenders – providing a robust set of current and historical data and forward-looking predictive analyses of lender portfolios and individual loans.

Acknowledged by agency leadership as “the bedrock of [SBA's] lender performance monitoring,” the L/LMS is powered by statistical, financial, and analytic models. Dun & Bradstreet's advanced analytics team partnered with SBA staff to integrate standard credit scores and develop customized analytic models to create a holistic view of portfolio risk in a single system – enabling SBA to target deep-dive reviews on those lenders which represent the highest risk. The Dun & Bradstreet D-U-N-S® Number plays a foundational role in this program, ensuring high quality data which enables advanced analytics.

As a trusted advisor to SBA, Dun & Bradstreet's credit risk and data science teams deliver scheduled performance reports, fulfill ad hoc analysis requests, and provide consultation regarding best practices in the small business lending industry. Dun & Bradstreet's in-depth portfolio assessments deliver micro-level profiles on lender and loan-level demographic and segment factors, revealing trends that allow for hyper-customization of continually updated analytic models that adapt to the rapidly changing business environment.

RESULTS AND ROI

Over \$100 billion taxpayer dollars are currently being used to guarantee loans under SBA's 7(a) and 504 programs. The Dun & Bradstreet-developed Loan and Lender Monitoring System protects this investment, and through predictive analytic models, ensures confident management of credit risk.

The L/LMS saves additional public funds from being inefficiently spent as they were in the past, on time-consuming on-site lender reviews focused on the largest lenders, which represented only 10% of active lenders. This comprehensive view of the entire portfolio, made possible by the L/LMS, furthers the integrity and efficiency of SBA's loan programs by providing program and agency executives with sophisticated micro-level reporting and oversight capabilities.

SBA and its lenders have near-real time access to critical data points and predictive indicators through the online Lender Portal, enabling prompt credit decisions and ensuring that small business owners receive capital in a timely manner. In 2016, SBA approved over 70,000 7(a) and 504 loans, to higher percentages of minority-owned and women-owned businesses than conventional small business loans – Dun & Bradstreet is proud to help government make credit available to small businesses that face a capital opportunity gap.

SOURCES

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