



## CREDIT REPORTING REQUIREMENTS FOR SBA LOANS WHAT'S THE BUZZ?

In working with SBA lenders across the country, we're tuned into the current buzz in the SBA lending community. All the buzz: Lenders are talking about the SBA requirement for quarterly reporting of business credit history to business reporting agencies. Let's get it straight: It's a requirement. If you're an SBA lender you must do it. Is this something new? And why all the buzz?

It's nothing new. The precedent for government agency accountability goes way back to the Budget and Accounting Procedures Act of 1950 requiring the head of each government agency to establish and maintain systems of internal control to safeguard assets. Jumping ahead just a tad, SBA's SOP 50 57 7(a), effective March 1, 2013, makes it clear in Chapter 3, E. 2, page 28 and F. 2, page 29: "In accordance with the Debt Collection Improvement Act of 1996, Lenders are required to report information to the appropriate credit reporting agencies whenever they extend credit via an SBA loan."

Yet in our travels, we've come across lenders that aren't submitting these reports. To get a better handle on this, we talked with Debbie Golbach, Vice President, Business Development at Business Credit Reports a Tennessee-based company that handles credit reporting for SBA lenders nationwide. Debbie estimates that about 80%+ of SBA lenders aren't fulfilling the requirement and agrees that there's somewhat of a "black hole" in accountability. Credit reporting flows through the commercial credit reporting agencies, not the SBA. The SBA finds out if a lender is complying when they ask about it during a review.

Why all the discussion? The teeth are in the requirement: SBA is asking! If a lender replies "Yes, we are complying," SBA asks, "What's your reporting mechanism?" and requests verification. If it's "No," the lender is instructed to comply and told that the SBA will check back at the next review.

"There's one issue in the proceedings," Debbie said. "Let's say a lender has 100 SBA loans and they contact Equifax, Experian, or Dun & Bradstreet. The commercial bureaus are going to ask the lender, 'How many loans do you have in your portfolio?' That's when the lender finds out there is a threshold of 250-500 loans minimum to start reporting to the commercial bureaus. Here's where our company or another unbiased third party company like us steps in. We don't set thresholds and will report to Experian, D&B and Equifax on the lender's behalf."

Business Credit Reports is a gateway between SBA lenders and the commercial credit reporting agencies. The company gathers payment histories from lenders and submits the data in bulk to the three commercial credit reporting agencies, Experian, Equifax and D&B. "Although the requirement is for quarterly reporting, lenders are getting new and prospective borrowers every month," Debbie said. "As a good business practice, I recommend that lenders report monthly. This will give complete coverage on the borrower to all the commercial credit agencies."

I hope this information has been helpful. At J.R. Bruno & Associates, we are here to act as an ongoing resource and to assist your credit union with all its SBA and member business lending needs. Feel free to call me at 626.688.2125 to discuss your organization or visit us online at [www.jrbrunoassoc.com](http://www.jrbrunoassoc.com).

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