



# SBA Policy Notice

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**TO:** All SBA Employees and SBA Advantage  
(7(a)) Lenders

**CONTROL NO.:** 5000-1393

**SUBJECT:** SBA Advantage (7(a)) Lender  
Mission Rating

**EFFECTIVE:** January 4, 2017

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## Introduction

The U.S. Small Business Administration (SBA) is adding another rating scorecard methodology for SBA Advantage (7(a)) Lenders, known as the SBA Advantage (7(a)) Lender “Mission Rating”, which will assist SBA in understanding each SBA Advantage (7(a)) Lender’s SBA performance in the context of its contribution to reaching small businesses in the most challenging credit gaps. The SBA Advantage (7(a)) Lender Mission Rating is established to provide a window into lending practices that, while furthering the mission of SBA, may have an impact on a lender’s portfolio and credit risk performance.

SBA’s capital access mission is to aid and assist America’s small businesses, including underserved and vulnerable small businesses, to obtain capital to maintain and strengthen the overall economy. One of the purposes of SBA oversight and monitoring of SBA Advantage (7(a)) Lenders is to promote responsible credit gap lending that supports this mission. SBA’s Office of Credit Risk Management (OCRM) has implemented both the Lender Risk Rating/Lender Purchase Rating (LRR/LPR) and PARRiS methodologies, two measures of SBA Advantage (7(a)) Lender performance, towards promoting responsible lending and analyzing risk. The Mission Rating will provide additional context for performance analysis but will not be used in delegated authority or enforcement decision-making.

## SBA Advantage (7(a)) Lender Mission Rating Scorecard Methodology

The SBA Advantage (7(a)) Lender Mission Rating will assess lending activity in multiple underserved business categories as determined by SBA in its discretion <sup>1</sup>(these categories are further defined on Attachment A to this Notice, and may be revised periodically):

- Small (loan size)
- Rural
- Minority owned
- Woman owned
- Veteran owned
- New business
- Export

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<sup>1</sup> Note: The underserved business categories of the SBA Advantage (7(a)) Lender Mission Rating are different than the underserved markets definition in the Community Advantage pilot program.

For each underserved business category, a lender's gross loan approval activity will be compared against a benchmark developed from existing portfolio metrics. If the benchmark is met, a lender will receive one "credit point" for that underserved business category. An SBA Advantage (7(a)) Lender's Mission Rating will be determined by how many of the benchmarks are met (i.e., credit points received). The more benchmarks an SBA Advantage (7(a)) Lender meets the higher the lender's SBA Advantage (7(a)) Lender Mission Rating. These benchmarks and ratings will also be refined and revised periodically.

An SBA Advantage (7(a)) Lender's loan approval activity will be calculated based on the last 12 months gross approval dollars for each specific underserved business category as a percentage of that lender's total last 12 month gross approval dollars. The benchmarks are calculated from the average last 10 years median 12 month approval rates for all SBA Advantage (7(a)) Lenders, disaggregated by lender size group. In other words, each lender size group will have its own set of benchmarks for each underserved business category. (For example, lenders with SBA Gross Dollars Outstanding of less than \$4 million may have a different set of benchmarks for the underserved business categories than lenders with SBA Gross Dollars Outstanding of \$100 million to \$349 million). Listed below are the 6 lender size groups. An SBA Advantage (7(a)) Lender will be subject to the benchmarks in the lender size group within which it falls. If an SBA Advantage (7(a)) Lender has a change in lender size group, the benchmarks against which it will be measured will change, and this will be determined at the end of each fiscal quarter.

The SBA Advantage (7(a)) Mission Rating Lender Size Groups (Gross Dollars Outstanding in the SBA Portfolio) are as follows:

- Less than \$4 million
- \$4 million to less than \$10 million
- \$10 million to less than \$50 million
- \$50 million to less than \$100 million
- \$100 million to less than \$350 million
- At least \$350 million

The SBA Advantage (7(a)) Mission Rating methodology, including but not limited to underserved business categories, approval activity rates and benchmarks, and lender size groups, may be revised from time to time by SBA in its discretion. SBA also retains the right to validate data reported by lenders at any time.

Each SBA Advantage (7(a)) Lender's Mission Rating will be available on its SBAOne PARRiS tab and on its Lender Portal. As with the LRR/LPR and PARRiS scores, this rating is Confidential Information under 13 CFR 120.1060 and accordingly, the provisions of 13 CFR 120.1060 apply. Therefore the SBA Advantage (7(a)) Lender is prohibited from disclosing its Mission Rating in whole or in part.

Questions

Questions on this rating scorecard methodology may be directed to Linda Rusche, Director, Office of Credit Risk Management at [Lender.Oversight@sba.gov](mailto:Lender.Oversight@sba.gov).

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Maria Contreras-Sweet  
Administrator

## Attachment A

### Mission Rating Categories and Definitions

- Small (loan size) – Loans with a gross approval amount of \$350,000 or less.
- Rural- Loans to businesses that are classified as “rural” on the SBA Form 1920, Lender’s Application for Guaranty For All SBA Advantage (7(a)) Programs.
- Minority owned- Loans to businesses that are 51% or more owned and controlled by one or more minorities.
- Woman owned – Loans to businesses that are 51% or more owned and controlled by one or more women.
- Veteran owned – Loans to businesses that are 51% or more owned and controlled by an individual or individuals in one or more of the following groups:
  - Veterans (other than dishonorably discharged);
  - Service-Disabled Veterans;
  - Active Duty Military service member participating in the military’s Transition Assistance Program (TAP);
  - Reservists and National Guard Members; or
  - Current spouse of any Veteran, Active Duty service member, or any Reservist or National Guard member; or widowed spouse of a service member who died while in service or of a service-connected disability.
- New business – Loans to new businesses (2 years old or less).
- Export – Loans to a business that is an exporter business as reported by lender on the Form 1920.

Note: Lenders must maintain in their loan file documentation to support the mission categories above. [To document whether a business is veteran owned, the lender must use the documentation required for SBA Veterans Advantage.]