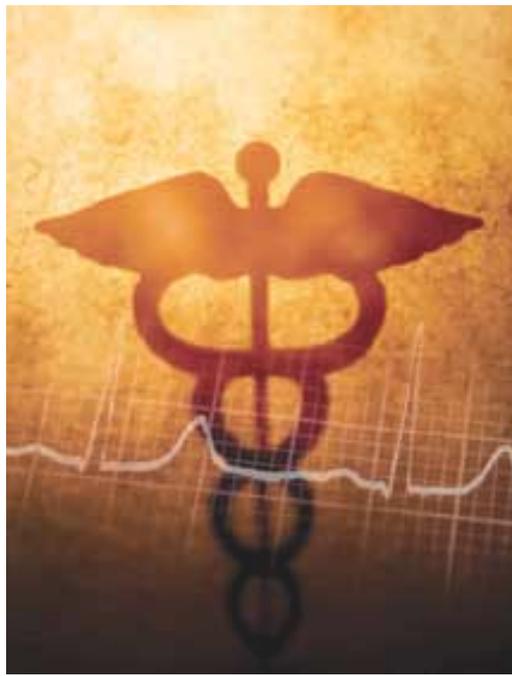


U.S. Small Business Administration



Your Small Business Resource

SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION



2009
FISCAL YEAR



FOREWORD

The Government Performance and Results Act, enacted in 1993, requires federal agencies to establish standards for measuring their programs' performance and effectiveness. The law requires agencies to develop annual performance plans that contain quantifiable measures of what they intend to accomplish, and performance reports describing their success in meeting those standards and measures. Starting in March 2000, performance reports are released annually by all CFO agencies.

Since FY 2007, the Small Business Administration has chosen to participate in an alternative approach to OMB's consolidated Performance and Accountability Report. This report, the Summary of Performance and Financial Information, is one of three reports required under the alternative program.

Association of Government Accountants
(AGA)
Awards the

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

In recognition of your outstanding efforts in
preparing the Small Business Administration

PERFORMANCE AND ACCOUNTABILITY REPORT

for the fiscal years ended
September 30, 2006, 2007 and 2008

Information about SBA's programs is available at: www.sba.gov

SBA's plans and reports are available at:

<http://www.sba.gov/aboutsba/budgetsplans/index.html>

Recovery Act - <http://www.sba.gov/recovery/index.html>

Para información acerca de los programas de la SBA: www.sba.gov/espanol/

Requests for printed copies, or questions and comments regarding the content, presentation and usefulness of this report are welcome and may be addressed to: performancereports@SBA.gov

Or, you may write to:

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409 Third Street, S.W.
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(202) 205-7565



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Success Story



Beating the Odds

ASSET Group, Inc., Oklahoma City, Oklahoma

Jeanna Sellmeyer's story is one of beating the odds and coming back on top. She has survived daunting obstacles to lead her company, the ASSET Group, Inc., to become one of the region's most successful federal construction and remediation contractors. The company has nearly 100 employees, more than \$45 million in revenue and backlogs, and project locations from California to Florida.

An Oklahoma native, Jeanna founded ASSET in 1990 as an environmental remediation firm that provides asbestos, lead based paint, hazardous materials and mold remediation services to private and commercial clients. The company posted annual revenues under \$500,000 for its first ten years and operated from offices in California. It was during this time that Jeanna was diagnosed with a brain tumor. Fortunately, her surgery was successful and led to a renewed sense of purpose. "I had time to think about what to do next and decided I wanted to expand my business to pursue construction and set my sights on federal contracts." In 1999, the company became 8(a) certified as a minority, woman owned small business. This year Jeanna was honored by the SBA as the 2009 National Small Business Person of the Year.

Message from the Administrator

February 22, 2010



I am pleased to present the U.S. Small Business Administration's (SBA) FY 2009 Summary of Performance and Financial Information report. This report summarizes the Agency's efforts to help Americans grow businesses and create jobs by providing resources and tools, including: access to capital; opportunities in federal contracting; access to entrepreneurial education; and disaster assistance for businesses, homeowners, and renters.

Never before have SBA's activities been more important. A deep recession combined with the financial meltdown of October 2008 led to an extremely difficult environment for entrepreneurs to succeed and for small businesses to survive and grow.

For this reason, Congress and the President included \$730 million for the SBA in the American Reinvestment and Recovery Act (Recovery Act) which passed in February 2009. This substantial investment provided opportunities for this relatively small federal agency to help unfreeze the credit lines in the small business lending market. The Recovery Act enhancements to SBA programs supported billions of dollars in lending for tens of thousands of small businesses throughout the country. Also, Recovery Act federal contracting dollars began to flow to the small business community towards the latter half of the fiscal year.

Key SBA accomplishments in FY 2009 include:

Turnaround in SBA lending — The SBA ended the year strongly, with September 2009 having the highest monthly SBA lending volume in two years through the Agency's top two loan programs, 7(a) and 504. Average weekly SBA loan volume increased by 60 percent compared to the weeks before the Recovery Act. Even in a difficult economic time, the SBA was able to provide more than 50,000 loans to small businesses this fiscal year.

Increase in access to capital — Since the passage of the Recovery Act, more than 1,200 lenders who had not made loans since October 2008 returned to SBA lending. In fact, of those lenders more than half had not made SBA loans since 2007.

Increase in small business contracting with federal agencies — Through stronger efforts to coordinate and reach out to other federal agencies, the SBA helped more than 25 percent of federal agency Recovery Act contracting dollars awarded by federal agencies go to small businesses in FY 2009. This amounted to a total of over \$4 billion. This contrasts with 21.5 percent in small business contracting for FY 2008 for all contracting opportunities.

Continued elimination of waste, fraud and abuse — Under the Recovery Act, the SBA strengthened its commitment to mitigating risk while eliminating waste, fraud and abuse. The Agency formed senior level teams which systematically identified and reduced risks related to the implementation of Recovery Act initiatives. In addition, the SBA continues to re-engineer the HUBZone contracting program to both improve efficiency and prevent fraud. In FY 2009, the Agency conducted nearly 900 site visits to ensure that participants in that program were

legitimate small businesses. Going forward, the SBA will be implementing stronger eligibility verification processes as well as enhancing the ability to pursue and prosecute fraud.

Increase in entrepreneurial education resources — SBA's grant-funded resource partners, about 900 Small Business Development Centers (SBDC), more than 100 Women's Business Centers, and more than 350 chapters of an executive mentoring program called SCORE, continued to experience high demand for their free and/or low cost services from entrepreneurs and small business owners. For example, the SBDCs have seen an increase of five percent, compared to last fiscal year, in the number of "extended engagement" clients who need more than three hours of counseling. The SBA also continued to reach out directly to small business owners through its network of 68 offices nationwide and by developing new tools such as a popular online training module to introduce small business owners to federal contracting.

Continued optimization of disaster assistance resources — The SBA has hired more full time and on-call employees while acquiring critical surge space to prepare for a major catastrophe. Also, the Agency has shortened disaster loan processing times, improved information technology capacity, and strengthened its marketing and outreach efforts.

There continue to be many ways in which the Agency can improve its efforts to achieve operational excellence while increasing accountability and transparency. For example, the SBA continues to identify, support and develop new and revised regulations and policies that will ensure that only small businesses are benefiting from SBA contracting programs. The Agency will establish a more streamlined license renewal process for Small Business Investment Companies that continue to support high-growth, high-impact small businesses. The SBA will also continue to steward taxpayer dollars to strengthen areas such as lender oversight, small business exporting, and outreach to underserved populations.

I am pleased to provide an assurance that SBA's financial and performance data in this report are reliable and complete. SBA's auditor issued an unqualified opinion on our FY 2009 financial statements. The auditor did note a material weakness in development and review of the alignment entry which adjusts the net receivables for defaulted loan guaranties and liability for loan guaranties to their net present value. This error was immediately corrected and the SBA is instituting a process to ensure that this does not recur.

Overall, the Agency is renewing its commitment in FY 2010 to promote the growth, innovation and global competitiveness of the U.S. small business community as it leads the country out of recession and into recovery and prosperity in the 21st century.

Sincerely,



Karen G. Mills
Administrator

Executive Summary

The SBA acts as a direct lender or guarantor of small business loans and provides management and technical assistance and contracting opportunities to small businesses. The Agency also provides disaster assistance to communities that have undergone catastrophes with the intention of rebuilding the devastated economy and community simultaneously.

In the past year, the SBA played a critical role in reviving the nation's economy. When Congress passed the American Reinvestment and Recovery Act, it identified the SBA as an agency that was vital to the stabilization of the economy and provided the Agency with an opportunity to expand some of its current programs and develop new programs in response to the crisis. The SBA is currently reporting on the success of these programs on Recovery.gov and on SBA.gov/recovery.

Financial Results

The SBA is the smallest of the federal credit agencies. Its budget for FY 2009 was \$12.3 billion, with \$4.9 billion for budgetary resources and \$7.4 billion for loan financing (nonbudgetary). As of September 30, 2009, the SBA had guaranteed \$62.2 billion of loan principal, up 0.8 percent from the \$61.7 billion guaranteed as of September 30, 2008. At the end of FY 2009, the total outstanding balance of SBA's total loan portfolio was \$90.5 billion, an increase of 2.7 percent above FY 2008. SBA's portfolio has increased 70 percent since FY 2001, and loan program receivables, which are comprised of business and disaster direct loans and defaulted guaranteed loans, have also increased. These receivables were valued at \$9.1 billion this year, an increase of 7 percent over last fiscal year. An additional growth is expected in receivables through Recovery Act direct loans and defaulted loan guaranties.

The Agency received an unqualified audit opinion in FY 2009. The FY 2009 audit found one material internal control weakness in SBA's financial reporting. (See: http://www.sba.gov/idc/groups/public/documents/sba_homepage/financial_reporting.pdf). During FY 2009, SBA's Office of Internal Controls continued to improve the quality of financial reporting and credit subsidy cost model-

ing for both regular programs and for Recovery Act programs. Also, the Agency reviewed the issues raised in its FY 2008 financial audit and addressed the significant deficiency in information systems security, however, this continued to be a significant deficiency in FY 2009 audit results. The SBA continues to place a high priority on transparency and accountability through accurate and timely financial reporting.

Improper payments in SBA's Disaster and 7(a) guaranty purchase programs were audited by the Inspector General. FY 2008 results for the 7(a) guaranty purchase program were restated this year. Improper payment rates for 7(a) guaranty purchases increased to 3.8 percent in FY 2009 and the rates for disaster loans disbursed increased to 20.9 percent in FY 2009.

Program Results

During FY 2009, the SBA reached out to struggling small businesses and provided them with funding through either regular SBA programs or through Recovery Act programs. Despite the economic downturn, the SBA approved 44,222 7(a) loan guaranties and 6,608 Section 504 CDC debenture guaranties, for a total of 50,830 in business loan guaranties. This access to capital provided small businesses with the necessary financial support to survive the economic downturn.

The SBA continued to advocate for small businesses pursuing government contracting opportunities. Congress has given the Agency the responsibility of overseeing the government-wide small business goal setting program. In FY 2008, federal agencies reported that \$93.3 billion in federal prime contract dollars went to small businesses. This is a \$10.1 billion increase from FY 2007 (\$83.2 billion). Also, the Agency continues to make progress with its process re-engineering of the HUBZone program, a program which advocates for small businesses located in disadvantaged areas.

SBA's resources partners — the Small Business Development Centers, Women's Business Centers, and SCORE — provided counseling and expertise

to an estimated 1.1 million small businesses and entrepreneurs. These resource partners provide guidance in developing business plans, implementing new technologies, accessing capital, winning government contracts, developing marketing plans, and many other undertakings vital to the success of a small business throughout its lifecycle. The SBA provided \$128 million in FY 2009 in grant funding for these programs to provide necessary, targeted technical services to entrepreneurs throughout the nation. Additionally, an estimated 600,000 users will access free online courses through SBA's Small Business Training Network.

For FY 2009, the SBA approved 21,780 disaster loans for \$1.2 billion. The Disaster Assistance program now offers a new electronic application process. Thirty-six percent of applications were received electronically, which has improved the responsiveness and efficiency of SBA's disaster assistance operations.

High Priority Performance Goals

The SBA continues to work with its program offices to provide the best possible measures of performance. In FY 2009, the Agency was also tasked with monitoring and reporting performance of the Recovery Act programs. The SBA has worked closely with the Office of Management and Budget to provide an accurate assessment of program activity to the President, Congress, and the public.

The SBA has identified four performance goals which reflect high priorities of SBA leadership and the Administration and are critical to success in the strategic focus areas. These goals reflect the breadth and depth of SBA's commitment both to taxpayers and to the small business community. By actively pursuing these goals, the SBA will strengthen its national contributions to entrepreneurship, innovation, and competitiveness.

1. Expand access to capital by increasing the number of active SBA lending partners for the 7(a) loan program to 3,000 by September 30, 2011, a 15 percent increase over the FY 2008 and FY 2009 average. The SBA will increase its outreach to lending partners so that small business owners will have more access points to capital. This initiative will be led by the Office of Capital Access which manages the SBA lending programs through product development, oversight and processing. The primary "on the ground" contacts for these lenders are SBA staff in the Office of Field Operations' district offices that provide outreach and lender training.
2. Increase small business participation in federal government contracting to meet the statutory goals and reduce participation by ineligible firms. Congress has mandated that small businesses should receive at least 23 percent of federal government prime contracts and has set separate goals for other subsets of the small business community. SBA's Office of Government Contracting and Business Development will play the lead coordinating role in helping federal agencies reach their specific goals. The Office of Field Operations will also help by promoting contracting opportunities to small business owners through marketing and outreach efforts.
3. Process 85 percent of home disaster loan applications within 14 days and 85 percent of business disaster loan applications within 18 days. SBA's Office of Disaster Assistance will lead the Agency in overseeing the success of this goal. The Office of Field Operations' network of providers and partners will help as needed when disaster strikes a particular SBA region or district.
4. Improve the Small Business Innovation Research (SBIR) program. The SBIR program can support research and development activities that meet federal agency needs and also drive innovation in the general marketplace to increase America's global competitiveness. The SBA will build on the success of this program by: (1) deploying an improved data collection and reporting system and continue implementing performance metrics; (2) implementing more systematic monitoring for fraud waste and abuse, and; (3) improving commercialization from existing program awards.

SBA's History and Organization

The U.S. Small Business Administration was created in 1953 to “aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns.” The charter also stipulated that the SBA would ensure small businesses a “fair proportion” of government contracts and sales of surplus property. SBA’s mission is to maintain and strengthen the nation’s economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters. Agency programs include management assistance and specialized outreach to veterans, women and underserved markets. Since its inception, the SBA has made or guaranteed in excess of \$211 billion in business loans.

The disaster loan program is the only form of SBA assistance that is not limited to small businesses. Disaster loans help homeowners, renters, businesses of all sizes, and nonprofit organizations to fund rebuilding and recovery efforts. The Agency does this by focusing on the restoration of real and personal property and assisting businesses to return to operations as quickly as possible. On average, the Agency makes disaster loans totaling approximately \$1 billion each year and has an active portfolio of about \$8.4 billion. Since its inception, the SBA has approved over 1.8 million disaster loans for over \$47 billion.

The SBA plays a vital role in enabling America’s entrepreneurs and has stamped its mark on many small businesses that have grown to become household names and leaders in their fields. These firms include Federal Express, Staples, Jenny Craig, Under Armour, Intel, Sun Microsystems, Radio One, Hewlett Packard, and a host of others.

Organization by Key Assistance Areas

The SBA is an organization with a nationwide presence. Its headquarters is located in Washington, D.C., while its business products and services are delivered with the help of 10 regional offices, 68 district offices and a vast network of

resource partners in all 50 states, the District of Columbia, Puerto Rico, American Samoa, the U.S. Virgin Islands, and Guam.

The SBA is organized around five key functional areas: Financial Assistance, Procurement Assistance, Management Assistance, Disaster Assistance and Regulatory Assistance. The category of Other Assistance captures all other activities. Following are brief descriptions of the SBA offices and some of the products and services they provide.

FINANCIAL ASSISTANCE

The Office of Capital Access (OCA) assists small businesses in obtaining capital via the 7(a), 504 and Microloan programs and the Small Business Investment Company program. OCA is also responsible for the Surety Bond Guarantee and the International Trade Assistance programs.

PROCUREMENT ASSISTANCE

The Office of Government Contracting and Business Development (GC/BD) provides assistance to small business in obtaining federal procurement opportunities through the government-wide prime and subcontracting programs. Additionally, the 8(a) Business Development program assists small businesses to be better prepared to take advantage of procurement opportunities. GC/BD also sets size standards for small businesses which determine when a business will be considered a small business.

MANAGEMENT AND TECHNICAL ASSISTANCE

The Office of Entrepreneurial Development provides business counseling and training through its partners network composed of Small Business Development Centers, Women’s Business Centers (WBC) and SCORE. In addition, district offices provide counseling and training that complements the assistance provided by SBA’s partners.

DISASTER ASSISTANCE

The Office of Disaster Assistance provides affordable, timely and accessible financial assistance to homeowners, renters and businesses following a disaster.

REGULATORY ASSISTANCE

The Office of Advocacy provides an independent voice for small business to advance its views, concerns, and interests before Congress, the federal government, federal courts and state policy makers.

The National Ombudsman receives complaints and comments from small businesses and acts as a “trouble shooter” between small businesses and federal agencies.

OTHER ASSISTANCE

The Office of Veterans Business Development formulates and delivers policies and programs that provide assistance to veterans seeking to start and develop small businesses.

The Office of Native American Outreach focuses on the assistance provided to American Indians, Alaska Natives, Native Hawaiians, and the indigenous people of Guam and American Samoa.

Success Story



Veterans Provide Contracting Services

L & D Johnson Plumbing & Heating, Inc., Buffalo, New York

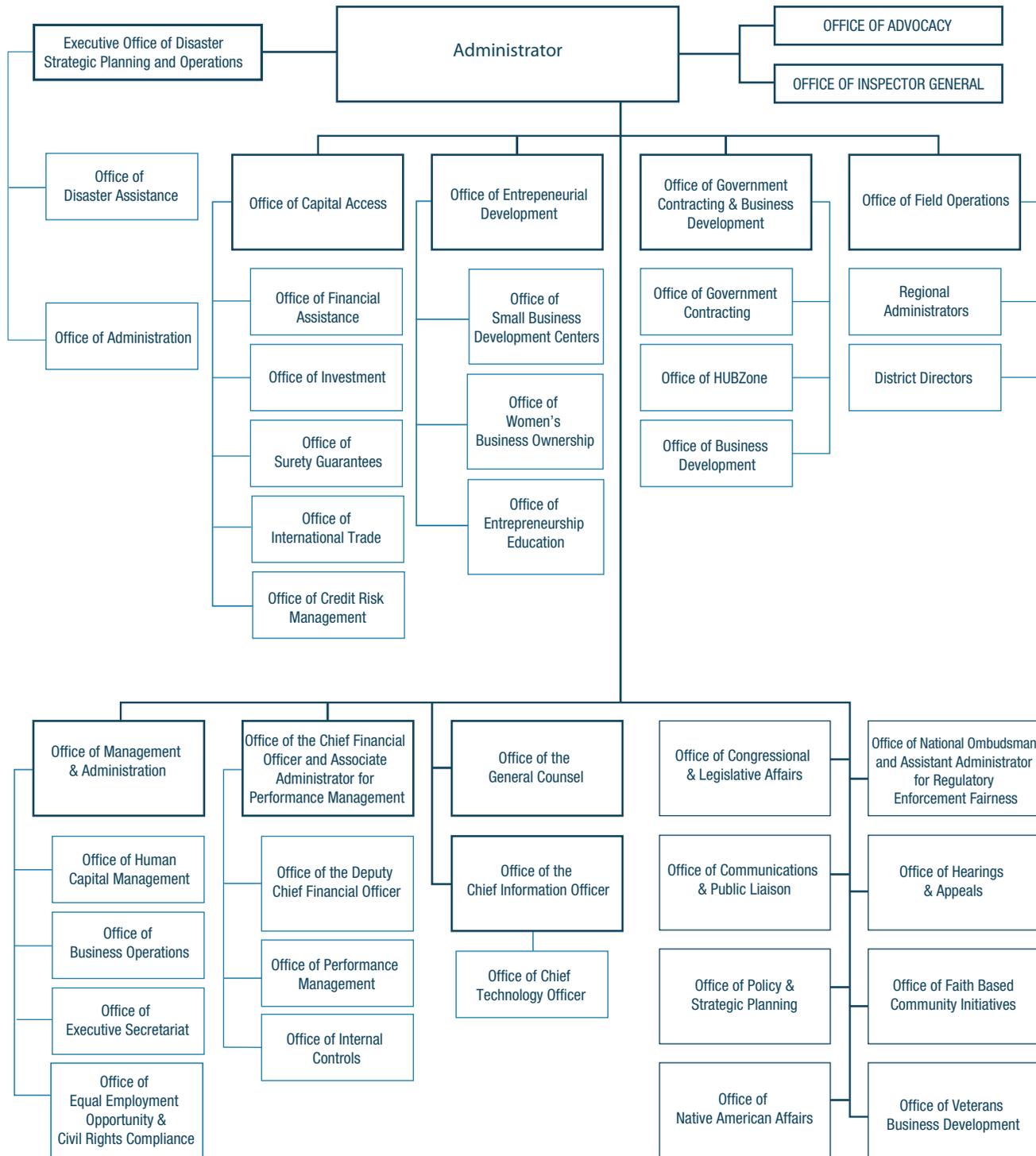
L&D Johnson Plumbing & Heating, Inc. is a certified SDVOSB, MBE, DBE & 8(a) contractor. The company was started by Lenny Johnson, President and CEO, and Don Johnson, Vice President, in 1999. With an initial investment of \$7,500, the company has grown to a staff of 24 and has taken on work in excess of three million dollars.

As a service disabled veteran company, L&D Johnson Plumbing & Heating, Inc. works as a commercial contracting company with small jobs that range from school plumbing and remodeling to larger jobs, such as the complete floor renovation of a VA Hospital.

L&D Johnson Plumbing & Heating, Inc. has extensive experience as the prime contractor in numerous areas that include plumbing, heating, abatement, demolition and general construction. In addition to the government contracted jobs, L&D Johnson Plumbing & Heating, Inc. continues to work in the public sector with local school districts and businesses.

The mission of L&D Johnson Plumbing & Heating Inc. is to provide a reliable service and to maintain hard working standards to better serve the public sectors.

Organization Chart



Summary of Performance Information

SBA by the Numbers

(All Dollars in Millions)

		FY 2006	FY 2007	FY 2008	FY 2009
Financial Assistance					
7(a) Regular Loans ⁽¹⁾	Dollars of Loans Approved	\$ 14,528	\$ 14,292	\$ 12,671	\$ 9,191
504 Regular Loans ⁽¹⁾	Dollars of Loans Approved	\$ 5,730	\$ 6,314	\$ 5,290	\$ 3,834
Microloans	Dollars of Loans Approved	\$ 19	\$ 21	\$ 20	\$ 23
SBIC	Dollars of Financings Approved	\$ 477	\$ 759	\$ 1,030	\$ 788
7(a) Loans ⁽¹⁾	Number of New Loans Approved	97,291	99,606	69,434	41,289
504 Loans ⁽¹⁾	Number of New Loans Approved	9,943	10,669	8,883	6,608
Microloans	Number of New Loans Approved	2,395	2,427	2,682	2,715
SBIC	Number of Small Businesses Financed	2,121	2,057	1,905	1,481
Disaster Assistance ⁽¹⁾					
Disaster	Dollars of Loans Approved	\$ 11,675	\$ 1,407	\$ 954	\$ 1,208
Disaster	Number of Loans Approved	137,803	13,716	15,128	21,780
Total Portfolio ^{(1) (2)}					
Total	Total Outstanding Principal Balance	\$ 78,107	\$ 84,512	\$ 88,095	\$ 90,451
Management Assistance					
SCORE	Number Small Businesses Assisted	308,710	336,411	360,559	380,357
SBDC ⁽⁵⁾	Number Small Businesses Assisted	667,660	600,665	558,487	583,770
WBC ⁽⁶⁾	Number Small Businesses Assisted	129,373	146,828	159,879	155,383
Procurement Assistance					
Prime Contracting ⁽³⁾	Annual Value of Federal Contracts	\$ 77,670	\$ 83,275	\$ 93,305	N/A
Surety Bond	Number of Final Bonds Guaranteed	1,706	1,640	1,576	1,220
HubZone ⁽³⁾	Annual Value of Federal Contracts	\$ 7,162	\$ 8,463	\$ 10,157	N/A
8(a) Program ⁽³⁾	Number of Small Businesses Assisted	9,600	9,479	9,462	N/A
Regulatory Assistance					
Advocacy ⁽⁴⁾	Regulatory Cost Savings	\$ 7,250	\$ 2,568	\$ 10,760	\$ 6,990

⁽¹⁾ In prior fiscal years, this table has presented "Disbursement/funded" loans for the Financial Assistance, Disaster Assistance and Total Portfolio. This table now presents "Gross Approvals" of both the value and number of total loans approved. The SBA prefers this measure because it better represents the loan portfolio processed by the SBA. There is a substantial difference in the two measures. The "Gross Approvals" loan numbers are approximately 15 percent higher for guaranteed loans (7(a) and 504 loans), and 46 percent higher for Disaster direct loans, than "Disbursement/funded" loans. Disaster loans are substantially higher when counting Gross Approvals because many potential borrowers get initially approved and then decline the loan because they receive insurance payments; they are awarded grants; or they decide not to rebuild.

⁽²⁾ This includes all Disaster and Business Loans.

⁽³⁾ Federal agencies have not yet certified their FY 2009 data. The SBA expects to receive the FY 2009 certified data by the 3rd or 4th quarter of FY 2010.

⁽⁴⁾ The FY 2009 number will be finalized in February 2010 in Advocacy's annual report to Congress.

⁽⁵⁾ The number of small businesses assisted by Small Business Development Centers is slightly understated as two centers had not submitted 4th quarter activity at the time of this report.

⁽⁶⁾ The number of small businesses assisted by Women's Business Centers has been annually trending upward. The decline in 2009 is attributable to several centers exiting the program.

N/A - Not Available

How the SBA Assesses Performance

The SBA uses a standardized performance system designed to emphasize the interrelationship between its various offices and to illustrate that the achievement of the mission of the Agency is the ultimate goal. The mission of the SBA is established by the Small Business Act and it is the overarching principle that governs all actions of the Agency. Each of the components of SBA's performance structure is defined below.

STRATEGIC GOALS

The SBA has four Strategic Goals. The first Strategic Goal highlights programs that assist small business directly or through SBA's partners. The second Strategic Goal focuses on the assistance that the Agency lends in cases of disasters. The third Strategic Goal shows how the SBA improves the economic environment for small businesses. The fourth Strategic Goal defines the responsibility of the Agency's executive leadership and support functions in helping to accomplish the programmatic goals.

LONG-TERM OBJECTIVES

Long-term objectives describe in general terms the results the SBA needs to achieve in order to accomplish its strategic goals, at the same time making the focus of the Agency more specific.

PERFORMANCE INDICATORS

Following are three types of indicators that measure performance, and their definitions:

- Outcome**
 Outcomes are defined and measured at the level of the Agency. Outcomes measure the effect program outputs have on their stakeholders. More than one program may contribute to the achievement of an outcome.
- Output**
 Outputs are the quantifiable targets that directly measure the results of a program. A program may have many outputs, but each output is associated with only one program.
- Efficiency**
 An efficiency measure is the cost to produce one output or intermediate unit. This allows for cost comparison among programs. Every SBA program has at least one efficiency measure.

Did
you
know

What do Vermont Teddy Bear, Vera Bradley Designs and the Jelly Belly Candy Co. have in common? They have all benefited from advice and counsel through SCORE – an SBA resource partner whose members serve as advisors and mentors to aspiring entrepreneurs and business owners. These services are offered at no fee. Learn more at www.score.org.

Strategic Goal Structure

Following are SBA’s four strategic goals and the long-term objectives to accomplish each strategic goal.

STRATEGIC GOAL	OBJECTIVES
1. Drive business formation, job growth and economic expansion particularly in underserved markets ¹	<ol style="list-style-type: none"> 1. Improve access to capital to start-up and existing small businesses. 2. Support entrepreneurship development through training, counseling, and technical assistance. 3. Improve small business participation in federal government contracting. 4. Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.
2. Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.	<ol style="list-style-type: none"> 1. Respond quickly, efficiently and effectively to disaster applicants.
3. Improve the economic environment for small business by ensuring their needs are being met.	<ol style="list-style-type: none"> 1. Protect, strengthen and effectively represent the nation’s small businesses to minimize the regulatory burden. 2. Advocate for small business across the federal government to ensure that policies and programs foster a small-business-friendly environment.
4. Optimize core operations to increase responsiveness to customers, streamline processes, and improve compliance and controls.	<ol style="list-style-type: none"> 1. Maximize the Agency’s human resources through training and professional development. 2. Maximize operational capacity and efficiency through safe and secure information technology. 3. Provide financial and performance management services to support efficient and effective program delivery and to measure and communicate progress.

¹ The strategic plan defined underserved markets as communities with high unemployment and high levels of poverty. The SBA is expanding the definition to include specific underserved populations (i.e., veterans, women and minorities).

Performance Data Collection and Validation

Managing for results and producing an Annual Performance Plan and Performance and Accountability Report requires valid, reliable and high-quality performance measures and data. The SBA is committed to the continuous improvement of its performance and financial management data. To this end the Agency has established a multifaceted strategy to achieve this goal which includes: an excellent data validation system; mandatory source documentation policy; documentation of calculation methodology for all estimates; and standardization of client definitions.

All indicators are fully supported by documentation. This documentation is available for review. (http://www.sba.org/aboutsba/budgetsplans/BUDGET_PERF_DATA_VAL_CERT.html)

Summary Performance Information on Key SBA Programs.

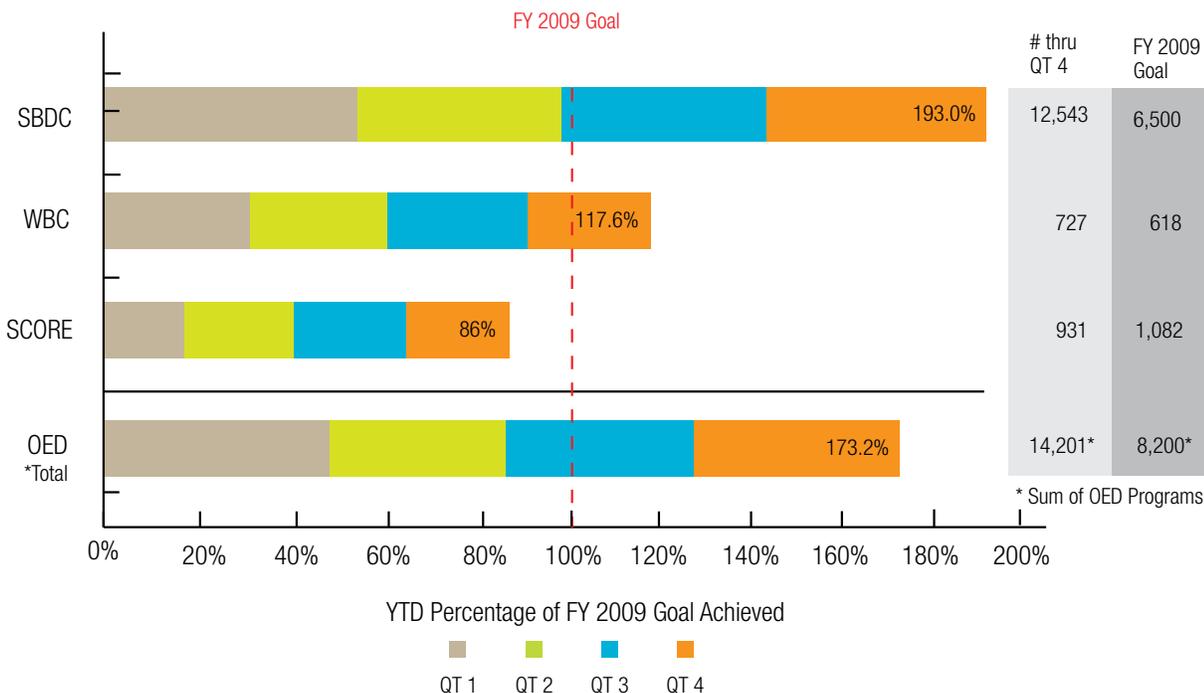
The Small Business Administration helps Americans grow businesses and create jobs by providing resources and tools, including access to capital; opportunities in federal contracting; access to entrepreneurial education; and disaster assistance for businesses, homeowners, and renters.

SBA’s efforts to assist entrepreneurs and small business owners are especially critical during these difficult times for the U.S. economy. Throughout America’s history, small businesses have played a leading role as the driver of economic growth and job creation. In fact, more than half of working Americans either own or are employed by a small business. Also, over about the last decade, small businesses were responsible for nearly 65 percent of net new private sector jobs.

DRIVING BUSINESS CREATION THROUGH COUNSELING AND TRAINING

As of September 30, 2009, Office of Entrepreneurial Development (OED) programs together helped create 14,201 new businesses, surpassing the combined goal by more than 6,000.

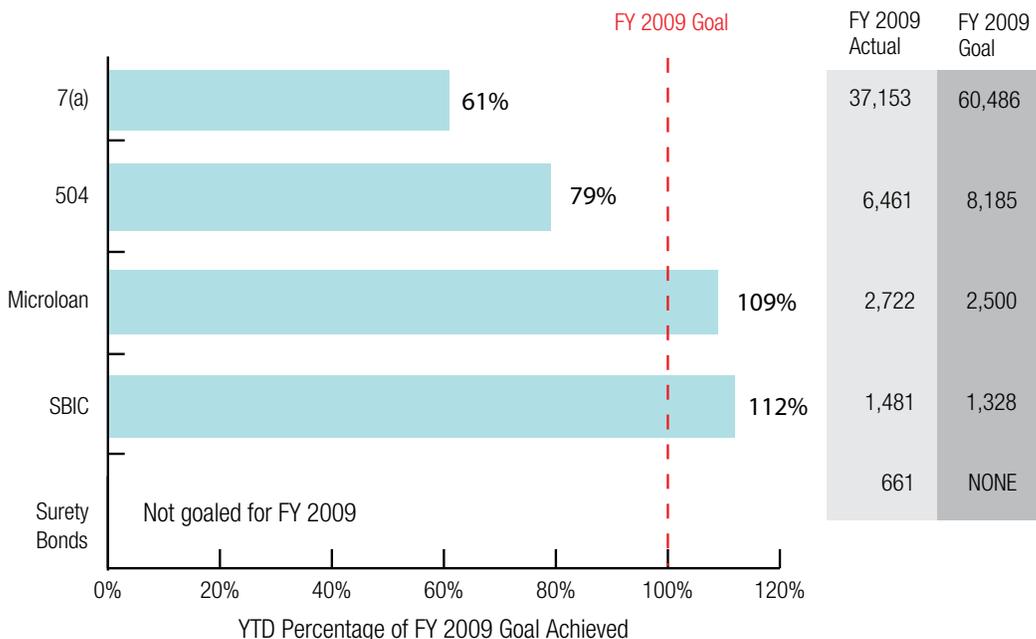
YTD Metrics on New Business Starts



PROVIDING ACCESS TO CAPITAL

As of September 30, 2009, SBA assisted 48,478 small businesses by approving over \$13 billion in loans and \$2.7 billion in surety guaranties, helping to drive business formation, job growth and economic expansion.

Number of Small Business Assisted



The following table presents key SBA FY 2009 performance data. The first three programs – 7(a), 504, and disaster loans – are the three largest SBA guaranty and direct loan programs. These programs make up the bulk of SBA’s loan portfolio. The other indicators have been included as an example of the impact of other SBA programs. Detailed performance information on all SBA programs will be presented, and all variances explained, in the FY 2011 Congressional Budget Justification and FY 2009 Annual Performance Report. (http://www.sba.org/aboutsba/budgetsplans/BUDGET_PERF_DATA_VAL_CERT.html)

Program	Performance Indicator	Type of Indicator	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2009 Actual	FY 2009 Variance						
Strategic Goal 1 - Drive Business Formation, Job Growth and Economic Expansion, Particularly in Underserved Markets														
7(a)	Small Businesses Assisted (#) ^{(1) (2)}	Outcome	80,303	84,666	59,019	60,486	39,698	-34% R						
7(a)	Jobs Created/Retained (#) ⁽²⁾	Outcome	705,481	776,729	586,955	925,493	450,101	-51% R						
504	Small Businesses Assisted (#) ^{(1) (2)}	Outcome	7,569	9,708	8,084	8,185	6,321	-23% R						
504	Jobs Created/Retained (#) ⁽²⁾	Outcome	118,840	126,069	111,996	158,122	74,849	-53% R						
Strategic Goal 2 - Provide Timely Financial Assistance To Homeowners, Renters, Nonprofit Organizations And Businesses Affected By Disaster														
Disaster	Disasters having field presence within 3 days (%)	Output	100%	100%	100%	95%	100%	5% G						
Disaster	Time to process 85% of business physical applications (# of days)	Output	66	11	11	18	14	22% G						
Strategic Goal 3 - Improve The Economic Environment For Small Business By Ensuring Their Needs Are Being Met														
Advocacy	Regulatory Cost Savings to Small Businesses (\$ in Billions) ⁽³⁾	Outcome	\$ 7.25	\$ 2.60	\$ 10.76	\$ 5.5	\$ 6.99	27% G						
Strategic Goal 4 - Optimize Core Operations to Increase Responsiveness to Customers, Streamline Processes, and Improve Compliance and Control														
Human Capital Management	Annual Employee Survey to Overall Satisfaction Rating (%)	Outcome	N/A	N/A	66.9%	68.5%	72.2%	5.4% G						
Human Capital Management	Meet the Federal Government-wide "Time-to-Hire" 80 Day Standard (Days)	Efficiency	N/A	N/A	75	72	76	-5.6% Y						
<table border="1"> <tr> <td style="background-color: #90EE90;">G</td> <td>Actual result meets or exceeds target</td> </tr> <tr> <td style="background-color: #FFFF00;">Y</td> <td>Actual result is within 10% of target</td> </tr> <tr> <td style="background-color: #FF0000;">R</td> <td>Actual result is less than 90% of target</td> </tr> </table>									G	Actual result meets or exceeds target	Y	Actual result is within 10% of target	R	Actual result is less than 90% of target
G	Actual result meets or exceeds target													
Y	Actual result is within 10% of target													
R	Actual result is less than 90% of target													

¹ FY 2006 totals only include data for existing businesses. Start-up businesses were not included. Starting in FY 2007, all small businesses assisted are included.

² A more precise methodology was developed in FY 2009 to calculate “Jobs Created/Retained” and “Small Businesses Assisted.” In addition to the change in methodology, the figures are net of fully cancelled loans. Prior year results have been restated to reflect this change.

³ The FY 2009 “Actual” will be finalized in February 2009 in Advocacy’s annual report to Congress.

FY 2009 Budgetary Resources by Program, Type of Assistance and Strategic Goal

Budget Total
(Dollars in Thousands)

\$ 440,499

STRATEGIC GOAL #1 - Drive business formation, job growth and economic expansion particularly in under-served markets

Financial Assistance

7(a) Loans	\$	90,764
504 Loans		31,889
Microloan Program		29,895
Small Business Investment Companies		19,166
International Trade Promotion		4,660
New Markets Venture Capital		454

Total

\$176,828

Management Assistance

Small Business Development Centers	\$	130,020
Women's Business Ownership		22,166
SCORE		8,922
Small Business Training Network		432
Drug Free Workplace		1,042
National Women's Business Council		1,014
Native American Outreach		3,400
Veterans Business Development		5,230
Field Office - Counseling, Training & Information		16,267

Total

\$188,493

Contracting Assistance

8(a) Program	\$	52,458
HUBzone		12,936
Surety Bond Guarantee Program		4,904
7(j) Program		4,880

Total

\$75,178

STRATEGIC GOAL #2 - Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster

\$312,174

STRATEGIC GOAL #3 - Improve the economic environment for small business by ensuring their needs are being met

\$45,220

Regulatory Assistance

Advocacy	\$	10,660
National Ombudsman		1,236
Business Gateway		3,254

Total

\$15,150

Contracting Assistance

Prime Contracting	\$	24,230
Subcontracting		3,182
Small Disadvantaged Business		228
Procurement Matchmaking		2,430

Total

\$30,070

Total Budgetary Resources

\$797,893

STRATEGIC GOAL #4 - Optimize core operations to increase responsiveness to customers, streamline processes, and improve compliance and controls. (These budgetary resources are treated as "Overhead" and have been allocated to Strategic Goals 1-3)

General Planning and Management	\$40,878
Information Technology Management	39,155
Procurement and Contracting Services	14,687
Improved Financial Performance	13,809
Budget and Performance Integration	2,456
Competitive Sourcing	49
E-Government	1,455
Human Capital Management	11,118
Improper Payments	205

Total

\$123,812

Summary of Financial Information

Highlights of FY 2009 Financial Results

At End of Fiscal Year (Dollars in Millions)

CONDENSED BALANCE SHEET DATA

	FY 2009	FY 2008	% CHANGE
Fund Balance with Treasury	\$ 3,469	\$ 3,881	-10.6%
Credit Program Receivables	9,128	8,523	7.1%
All Other Assets	29	44	-36.0
TOTAL ASSETS	\$ 12,626	\$ 12,448	1.4%
Liability for Loan Guaranties	\$ 3,995	\$ 1,826	118.8%
Debt with Treasury	10,878	9,473	14.8%
Downward Reestimate Payable to Treasury	65	467	-86.1%
All Other Liabilities	377	348	8.3%
TOTAL LIABILITIES	15,315	12,114	26.4%
Unexpended Appropriations	1,983	1,697	16.9%
Cumulative Results of Operations	(4,672)	(1,363)	-242.9%
TOTAL NET POSITION	(2,689)	334	904.7%
TOTAL LIABILITIES AND NET POSITION	\$ 12,626	\$ 12,448	1.4%

FOR THE FISCAL YEAR

STATEMENT OF NET COST BY STRATEGIC GOAL

Goal 1: Expand America's Ownership Society

Loan Subsidy Cost	\$ 4,804	\$ 442	987.0%
Administrative Cost (net)	440	404	8.8%

Goal 2: Provide Timely Financial Assistance for Disaster

Loan Subsidy Cost	355	352	0.9%
Administrative Cost (net)	320	233	37.5%

Goal 3: Improve Economic Environment for Small Business

	14	14	2.8%
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COSTS NOT ASSIGNED TO STRATEGIC GOAL

Congressional Initiative Grants	44	63	-30.8%
Other Costs Not Assigned	19	57	-67.2%
TOTAL NET COST OF OPERATIONS	\$ 5,996	\$ 1,565	283.0%

Analysis of Financial Results

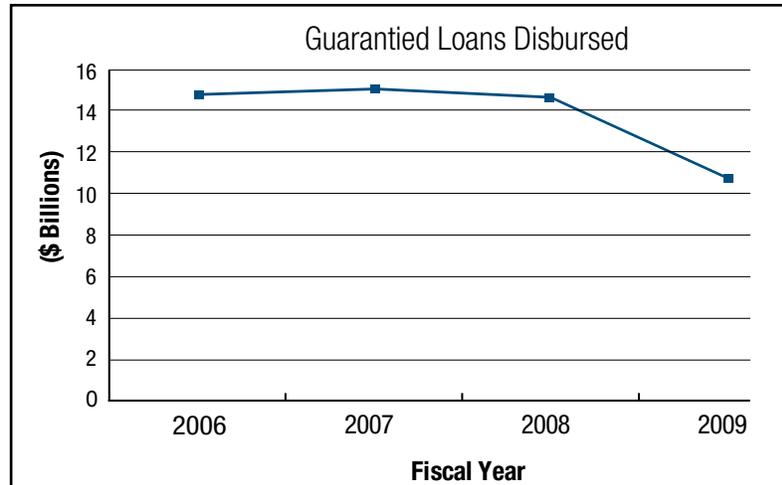
The SBA is the smallest of the major federal credit agencies, behind the Department of Agriculture, the Department of Education, the Department of Housing and Urban Development and the Department of Veterans Affairs. Most of SBA's available budgetary resources are devoted to its credit programs including SBA guaranteed business loans made by banks. The portion of the outstanding bank loan principal guaranteed by the SBA as of September 30, 2009 was \$62.2 billion. This amount is up 0.8 percent from the \$61.7 billion guaranteed at September 30, 2008.

The downturn in the nation's economy in FY 2009 impacted the demand for SBA loans, and new guaranties disbursed by SBA participating banks during FY 2009 were down 30 percent from last year (**Chart I**). Despite this steep drop, there was an increase toward the end of the fiscal year due to improved economic and credit market conditions and the Recovery Act legislation. In February 2009, as part of the Recovery Act, Congress allocated \$730 million for the SBA to provide new lending incentives including the waiver of Agency lending fees on 7(a) and 504 loans and an increase in the SBA guaranteed percent on 7(a) loans.

SBA's portfolio of loans receivable continued to grow in FY 2009. Credit program receivables for the SBA are comprised of business and disaster direct loans and defaulted business loans purchased per the terms of SBA's loan guaranty programs. These receivables were

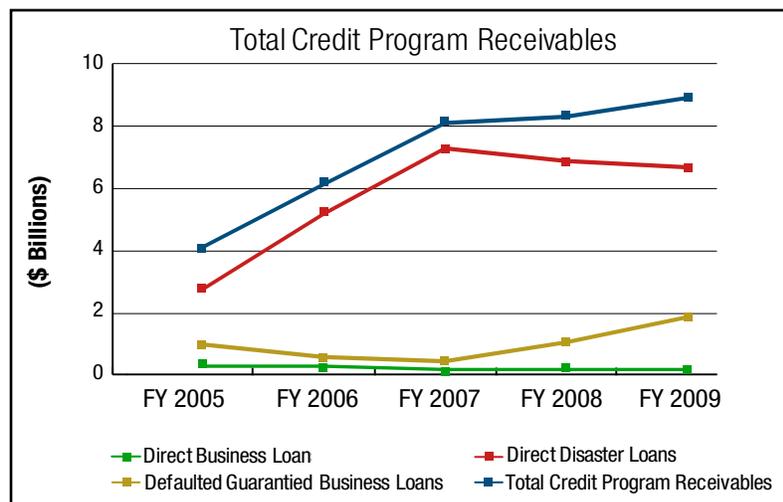
valued at \$9.1 billion in FY 2009, an increase of seven percent over last fiscal year (**Chart II**).

CHART I



The primary reason for the increase in credit program receivables from FY 2008 to FY 2009 was due to an increase in defaulted guaranteed business loans. This increase resulted from the downturn in the economy and credit markets during FY 2009. Purchases of SBA's share of defaulted guaranteed loans increased from \$2.1 billion in FY 2008 to \$3.9 billion in FY 2009.

CHART II



SBA's assets and liabilities result primarily from its credit program activities. SBA's loans and guaranties are financed by a combination of subsidy appropriations, fees charged to lenders and borrowers, and borrowings from the Treasury. Congress provides appropriations to cover the estimated long-term costs of SBA's direct disaster loans, while SBA's guaranteed business loan program costs are

mostly financed through fees and appropriations. These costs are defined as the net present value of the estimated cash outflows and inflows associated with the loans. The remaining portion of each new direct loan disbursed is financed under permanent indefinite authority to borrow funds from Treasury's Bureau of the Public Debt. Borrowings are repaid to the Treasury as loans are repaid to the SBA.

Financial Position

ASSETS

The SBA had total assets of \$12.6 billion at the end of FY 2009, up 1.4 percent from FY 2008. Assets increased primarily due to a \$0.6 billion increase in the Credit Program Receivables because of the large increase in defaulted guaranteed business loans. Per the provisions of the Federal Credit Reform Act of 1990, credit program receivables are valued at the present value of expected future cash flows.

LIABILITIES

The SBA had total liabilities of \$15.3 billion at the end of FY 2009, up 26 percent from FY 2008. Liabilities consist primarily of the Liability for Loan Guaranties and Debt with Treasury. The Liability for Loan Guaranties is defined as an estimate of the present volume of the future amount the SBA will pay, net of fee collections, to liquidate expected purchases of defaulted loans under its guaranteed loan programs. The Liability for Loan Guaranties increased \$2.2 billion primarily due to the year end reestimate (offset partially by loan purchases). There was a net upward reestimate of \$4.7 billion in SBA's loan guaranty programs at September 30, 2009.

Debt with Treasury increased \$1.4 billion as a result of borrowings to cover the increases in purchases of defaulted loans. Purchases of SBA's share of defaulted guaranteed loans increased from \$2.1 billion to \$3.9 billion from FY 2008 to FY 2009. Due to this unexpected surge in purchases, the SBA borrowed funds from Treasury to cover the purchases.

NET POSITION

Net position, which is the sum of Unexpended Appropriations and Cumulative Results of Operations, decreased in FY 2009 to a \$2.7 bil-

lion negative balance. Cumulative Results of Operations is the accumulated difference between expenditures and financing sources since the inception of the Agency. The loss shown as Cumulative Results of Operations increased to \$4.67 billion at the end of FY 2009 (from \$1.36 billion last year) due to unfunded upward subsidy reestimates that increased in FY 2009 (discussed previously). Unfunded expenses do not yet have a financing source. They result in an increase in the loss the SBA reports as Cumulative Results of Operations. The largest category of unfunded expenses at the SBA is year end reestimates which are funded in the following year. Unexpended Appropriations increased \$286.6 million this year because the appropriations used in FY 2009 were less than the appropriations received. This is primarily due to funding in the Recovery Act of February 2009 that provided \$730 million of appropriations to the SBA in order to stimulate small business lending that was not completely used by FY 2009 year end.

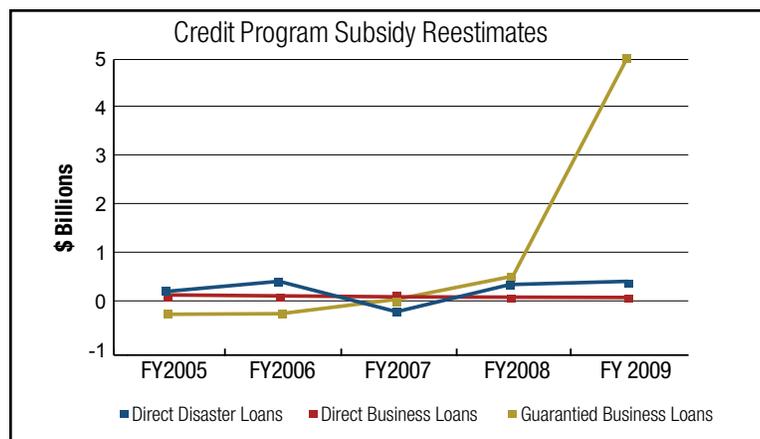
RESULTS OF OPERATIONS

The Results of Operations primarily reflects the costs of SBA credit programs from subsidy expenses during the year for new loans and subsidy reestimates at year end. During FY 2009, the reestimated cost for SBA's disaster loans and business guaranty programs significantly increased. Those increases were the largest components of the change (net increase) in the Agency's net cost. **Chart III** reflects the increases in the disaster and business guaranty reestimates.

The increase in the overall Net Cost from FY 2008 to FY 2009 (**Chart IV**) is primarily due to the increase in Strategic Goal 1 (small business assistance) costs resulting from the upward subsidy cost reestimates for the business loan guaranty programs in FY 2009. The 7(a) loan guaranty program and the 504 loan program both had significant upward reestimates as well as a significant change in the SBIC program from a downward reestimate in FY 2008 to an upward reestimate in FY 2009. The 7(a) loan program, SBA's flagship and largest program, had the largest net upward reestimates for the guaranteed business loan programs in FY 2009 at \$2.03 billion. The 504 Certified Development

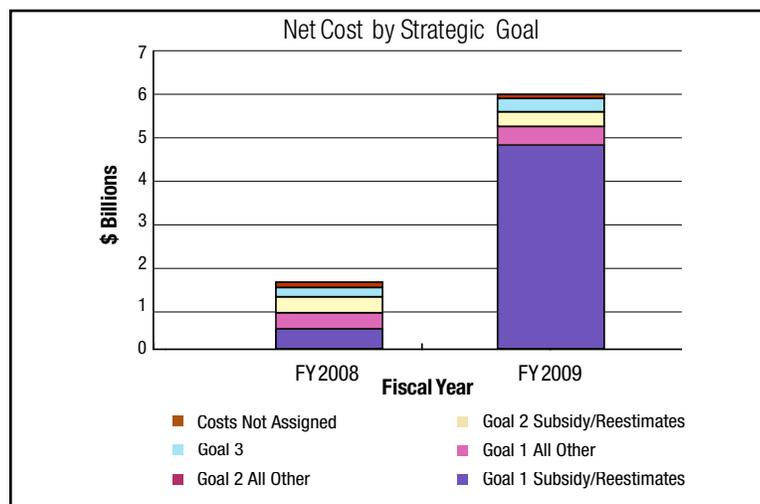
Companies program had net upward reestimates of \$1.57 billion. For both programs, the net upward reestimates were mostly due to the downturn in the economy that resulted in higher than projected purchases during FY 2009 and an increase in projected purchases for the remaining years within the cohorts.

CHART III



There was also an increase in Strategic Goal 1 costs due to subsidy expense incurred during FY 2009 as a result of the Recovery Act. The Recovery Act allocated \$636 million of subsidy for loan guaranties and direct microloans that was partially used during the year. In FY 2008, there was no subsidy provided for the guaranteed business loan programs. The reestimates, however, accounted for most of the change in Strategic Goal 1 cost.

CHART IV

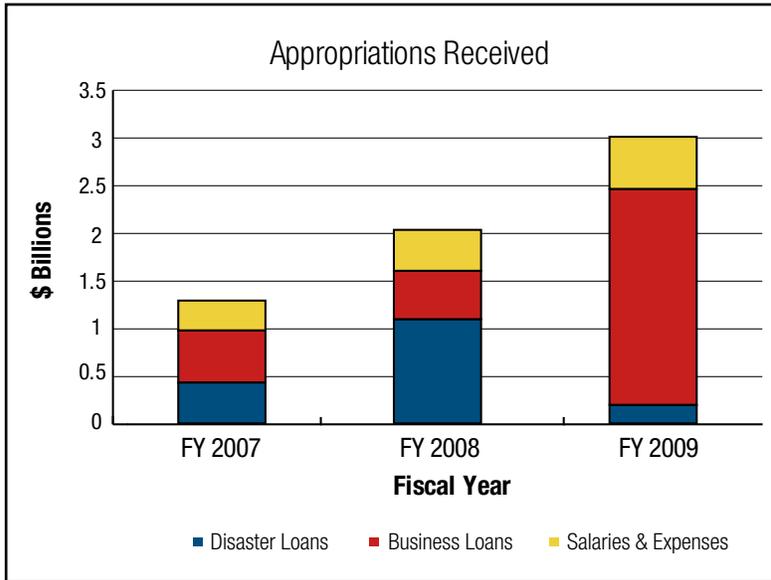


Strategic Goal 2 (disaster assistance) cost includes a net upward loan subsidy reestimate in the Disaster direct loan program at year end and an increase in administrative expenses during FY 2009 offset by a decrease in subsidy expense. The Disaster program had net upward subsidy reestimates of \$231.1 million primarily in the 2006 cohort that mostly consists of loans for the Gulf Coast hurricanes of 2005. Those loans currently account for about 55 percent of the outstanding portfolio of direct disaster loans. The upward reestimates are primarily the result of performance probabilities being updated for actual performance during FY 2009 that resulted in an increase in projected defaults.

BUDGETARY RESOURCES

Appropriations Received increased \$1 billion from FY 2008 to FY 2009. The increase in Appropriations Received was due to the funding in the Recovery Act legislation. In February 2009, as part of the stimulus package, Congress allocated \$730 million for the SBA to provide new lending incentives, including the Agency temporarily waiving its fees and increasing the guaranties it offers banks on 7(a) loans. **Chart V** depicts that the substantial increase in Appropriations Received is for business loans due to the Recovery Act. It also reflects the decrease in funding for disaster loans because, in September 2008, the Disaster Relief and Recovery Supplemental Appropriation Act had provided appropriations of \$799 million for the SBA.

CHART V



Analysis of SBA Loan Portfolio

Portfolio Analysis

The SBA is the taxpayers’ custodian of a loan portfolio of \$90.5 billion, as shown in **Chart VI**. This portfolio of outstanding principal loan amounts includes both guarantied and direct business loans as well as direct disaster loans. SBA’s two flagship guaranty business loan programs, 7(a) and 504, continue to comprise roughly 80 percent of its outstanding loan portfolio. These two programs have also been the key drivers of growth in the portfolio, accounting for 82 percent of the port-

folio’s growth in the past five years. In FY 2009, while the overall portfolio grew by \$2.4 billion, the 7(a) and 504 sections grew \$2.7 billion, more than offsetting declines in other sections of the portfolio. The overall growth rate has slowed considerably over the last few years, from 8.2 percent in FY 2007 to 4.2 percent in FY 2008 to a low of 2.7 percent in FY 2009. This slackening of the growth rate is most likely due to the decline in economic conditions that began with the housing market crash in the fall of 2007 and its subsequent spread into the general credit market in October 2008. The disaster portfolio shrunk for the second straight year, decreasing in size by 2 percent, or roughly \$200 million, in FY 2009. While major natural disasters like Hurricanes Gustav and Ike and the Midwest floods caused new demand for disaster loans, repayments on loans from previous disasters led to an overall drop in the disaster portfolio’s balance.

SBA LOAN VOLUME IN THE CURRENT ECONOMY

The downturn in the nation’s housing market that began in the middle of FY 2006 turned into a broad economic contraction in early 2008 and into a general credit crisis in the opening months of FY 2009. The severe contraction in the economy and in the credit markets drastically affected SBA’s loan volume. Many lenders can increase the number of SBA-guarantied loans they offer by securitizing their existing SBA guaranties and selling them on the secondary market to investors.

CHART VI

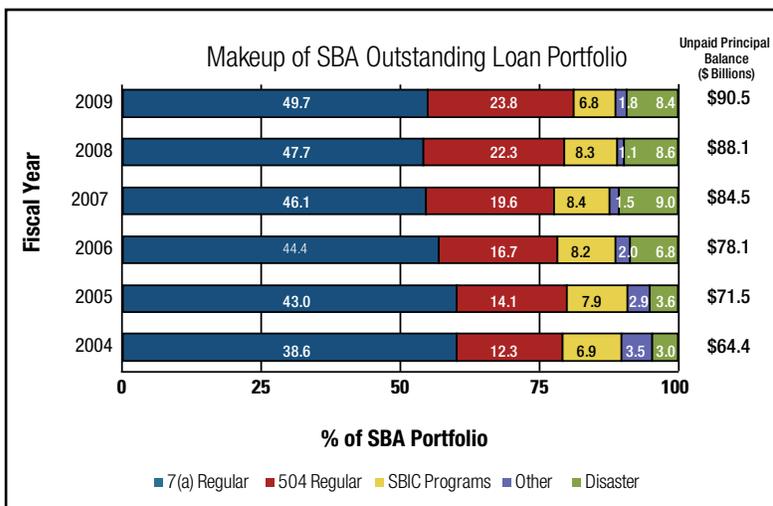
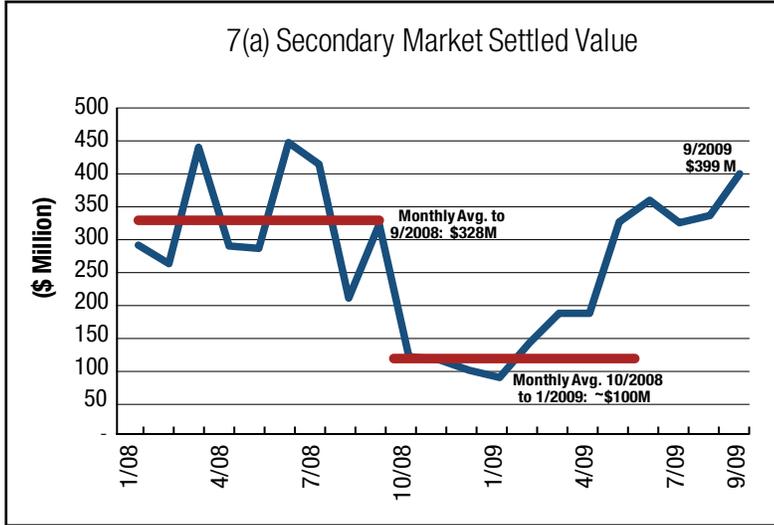


CHART VII



When the collapse of Lehman Brothers in the fall of 2008 provoked a crisis of confidence in banking circles, the entire secondary market of asset-backed securities (securitized bundles of SBA-guaranteed loans) nearly froze. As shown in **Chart VII**, the monthly volume in the 7(a) secondary market fell from its FY 2008 average of \$328 million to an average of a little over \$100 million for the months of October to January.

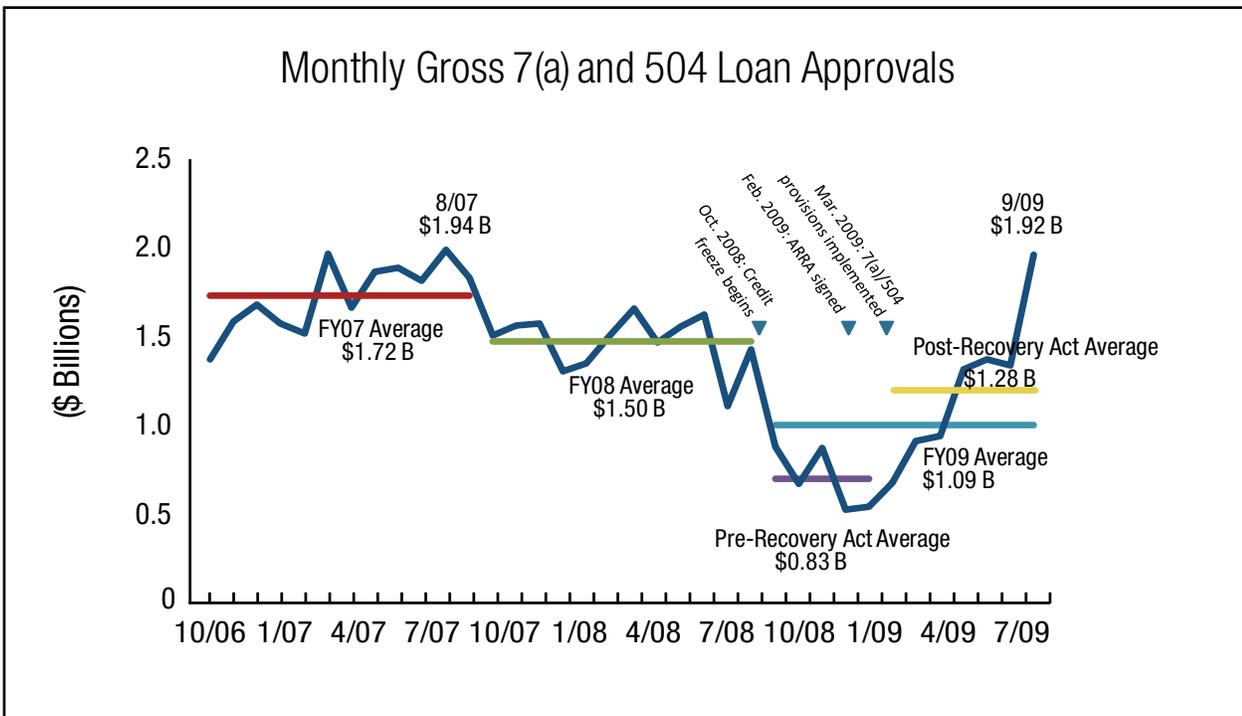
Since many banks use the capital raised on the secondary market to lend out more SBA loans, the precipitous drop in the monthly

volume in the secondary market filtered into a slowdown in the primary market for small business loans. As a result, lending supply slowed considerably. Simultaneously, as the financial crisis spread across the real sectors of the economy, small business revenues, cash flows, asset prices and ultimately loan demand declined. As seen in **Chart VIII**, the monthly gross loan approval average for the 7(a) and 504 programs had nearly halved from a FY 2008 average of \$1.5 billion to \$830 million for the months of October 2008 to January 2009.

RECOVERY ACT INFLUENCE ON LOAN VOLUME

With the passage of the Recovery Act on February 17, 2009, the SBA eliminated fees for borrowers on SBA 7(a) loans and for both borrowers and lenders on 504 Certified Development Company loans. The Agency also raised the guaranty on 7(a) loans to 90 percent. These

CHART VIII



measures, combined with an improvement in overall economic conditions, stimulated small business lending, and the past six months have seen an increase in monthly loan approval volumes. By the third quarter of FY 2009, monthly volumes were at nearly the same level as before the credit freeze which began in October 2008. The last month of FY 2009, September, saw monthly gross loan approvals of \$1.92 billion, the highest month on record since August of 2007, before the housing market downturn. In addition to the increased volume of lending, the secondary market began to thaw as well. One measure of the secondary market demand is the premiums investors are willing to pay. In August 2009, 83 percent of loans settled were sold at or above premiums of 106, the highest share since August 2007. By comparison, zero loans in the months of January or February were sold at premiums at or above 106.

POSSIBLE REASONS FOR SLOW GROWTH OF SBA'S LOAN PORTFOLIO

According to the Senior Loan Officer Opinion Surveys released by the Federal Reserve Board, credit standards continued to tighten for commercial loans to small firms. The primary reason given was the less favorable or more uncertain economic outlook and also because of a reduced appetite for risk. Corollary to this finding, senior loan officers noted that the decline in lending was due not only to the tightening of the loan supply but also to a weakened demand for loans.

As evidenced by **Chart IX**, for years SBA loan approval volumes have closely tracked the Case-Shiller National Housing Price Index. When the housing market bubble burst in 2007, the precipitous drop in housing prices found its way into the world

of small business. Many first-time entrepreneurs use the equity they have built in their houses as the collateral for their small business loans. As that equity shriveled, demand for small business loans had a corresponding decline. On the supply side of the small business loan equation, **Chart X** shows how banks began to tighten their credit standards for small firms at the beginning of 2007. As the crisis expanded, the percentage of senior loan officers who said their banks were tightening credit standards for their commercial and industrial loans to small firms reached its peak of 75 percent at the same time as the lowest point of the credit crisis, the fourth quarter of 2008.

As more current data become available, it is likely that the SBA will see the effects of the Recovery Act provisions to waive borrower fees and increase SBA loan guaranties on this loan equation. Reduced fees, a bottoming-out of the housing market, and a rebounding in the general economy will strengthen demand for small business loans while the decrease in risk associated with the higher loan guaranty will lead to an expansion of supply from banks. Indeed, the SBA has already seen over 1,260 lenders who had not made any SBA loans since October 2008 make new SBA loans since the passage of the Recovery Act. Of those newly-activated lenders, over 760 had not made any SBA loans since the housing market started to decline in late 2007.

CHART IX

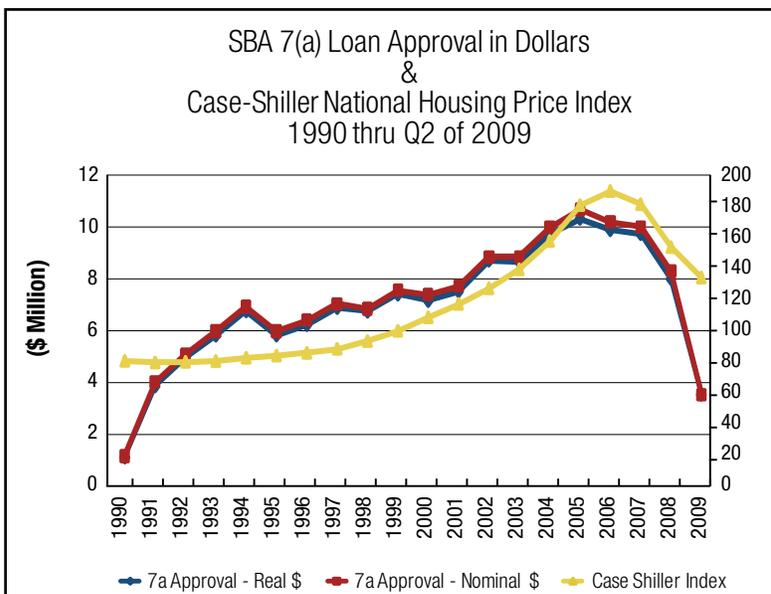
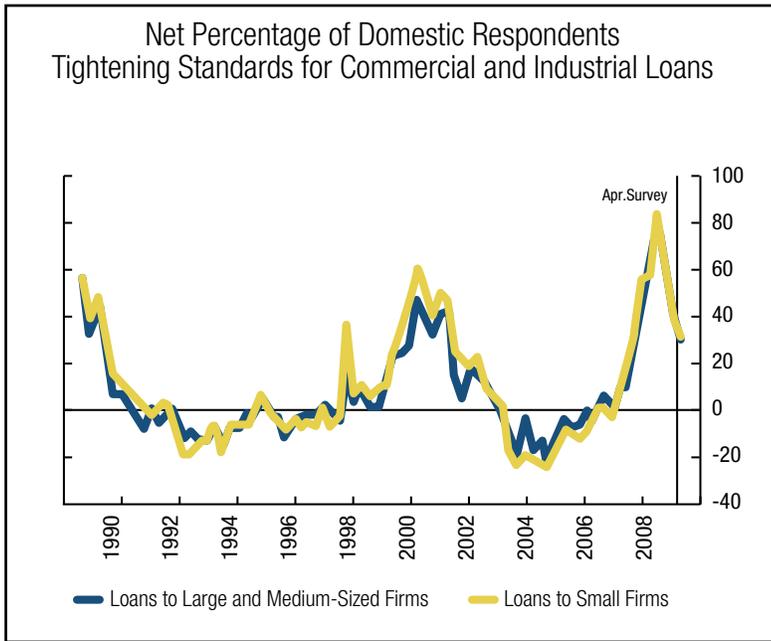


CHART X



Success Story



Recovery Loan Helps Hammer Through Defeat
ACE Hardware, Silver Lake, Washington

Ace Hardware of Silver Lake, Washington opened its doors in July 2009 thanks to SBA's 7(a) loan program. Gary Skrla was laid off from his corporate job and headed to the SBA office in Seattle to discuss his business ideas with Ed Milan, a SCORE representative. After a few counseling sessions, he decided to follow his dream and open a hardware store. His past hardware industry experience helped him decide the ACE Hardware franchise would be a good fit.

Skrla took advantage of the new lending incentives of increased guaranties and reduced fees. He worked out the details in his loan application and received financing through Seattle-based Fortune Bank and the SBA 7(a) loan program. Lisa Forrest, vice president with Fortune Bank said, "Gary is a

perfect example of what can be done with an SBA loan. The Silver Lake area is growing and was ready for additional services; and the 20 jobs the new store will generate are welcome, too."

As part of the Recovery Act, the SBA temporarily eliminated fees paid by the borrowers in the 7(a) program. The bank decision to provide an SBA 7(a) loan for \$879,000 resulted in a savings of \$19,777 in waived fees. This helped to get the inventory needed and provided the working capital to have the store open on time. Hard work and perseverance paid off for Skrla. He did his research, knew the industry, hired experienced staff, and sought out business assistance.

DISASTER PORTFOLIO TRENDS

SBA's portfolio of direct disaster loans decreased slightly from about \$8.9 billion in 2007 to \$8.6 billion in 2008 to \$8.4 billion at the close of FY 2009. As **Chart XI** shows, the decline is most likely due to continued repayments on the historically large amount of loans given after Hurricanes Katrina, Rita, and Wilma. These loans continue to make up over 50 percent of the unpaid disaster loan portfolio.

Growth in the portfolio came from new loans associated with Hurricanes Gustav and Ike as well as the Midwest floods. Combined, SBA approved over \$1.2 billion in business and home loans for these major events (**Chart XII**). Of this \$1.2 billion for Gustav, Ike, and the Midwest floods, 31.5 percent went to business loans while 68.5 percent went to home loans.

The SBA also calculates the disaster charge-off rate as the dollar volume of loans charged off divided by the dollar amount of the disaster loan portfolio outstanding each quarter (**Chart XIII**). The increase in charge-off rates that was observed over FY 2008 settled back down to around historical levels of about 0.8 percent in FY 2009. In hindsight, it is likely the spike in the fourth quarter of FY 2008 was due to the credit crunch that affected the entire economy after the credit markets froze in late September of 2008.

CHART XI

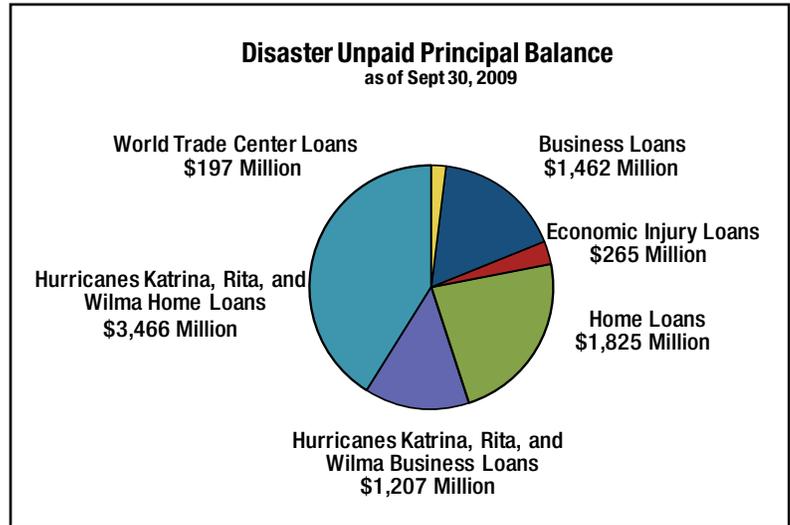


CHART XII

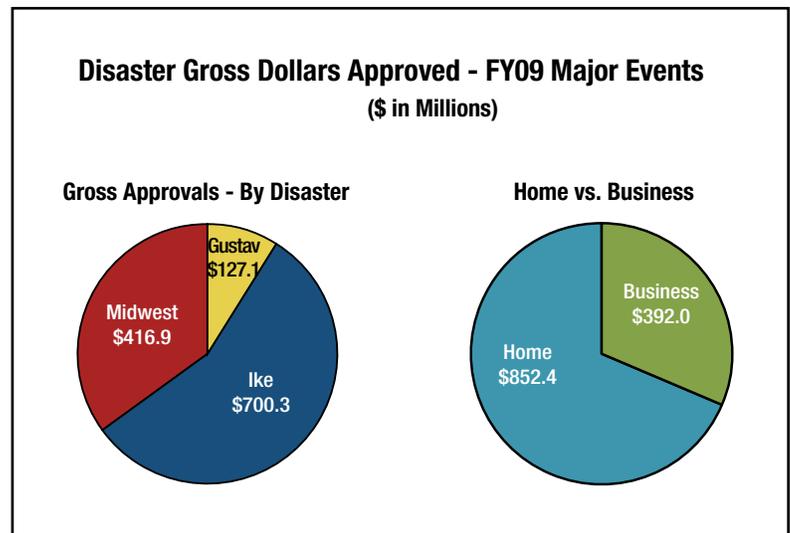
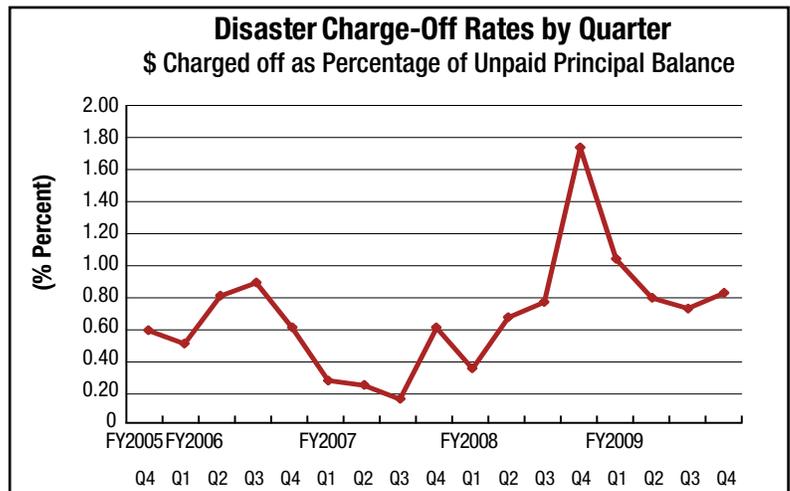


CHART XIII



Summary of Inspector General Reports

Summary of OIG Audit Follow-Up

Throughout the year, the Office of the Inspector General (OIG) conducts audits of SBA's processes, procedures and programs, and makes recommendations for improvement. Many of these recommendations are not material, relative to their dollar impact on SBA's financial and administrative operation, but are very beneficial to management. Program management has the option to agree or disagree with OIG recommendations. If agreement cannot be reached, the issue can be raised to a higher level by the OIG. Once both management and the OIG agree with a recommendation, it becomes a "management decision." The manager develops a specific action plan and provides a target date for completion as part of the "management decision." The corrective action is referred to as a "final action."

The Office of the Chief Financial Officer (OCFO) is responsible for monitoring the final actions and reporting on their implementation. To track and report these to management, the OCFO main-

tains a database and provides a status report available on the SBA intranet page. This is updated as corrective actions are completed. Program offices also provide regular updates on final action status that are used to update the database.

The OCFO continues to take aggressive steps to improve management's attention to these issues, resulting in 133 final actions during FY 2009. Of these final actions, 12 were monetary and 121 were non-monetary.

For additional information see page 89, http://www.sba.gov/idc/groups/public/documents/sba_homepage/fina_report_oig_report_append.pdf.

*Did
you
know*



In FY 2009 85 percent of disaster assistance loans approved were for homeowners and renters to repair or replace disaster-damaged primary residences and personal property.

Summary of Management and Performance Challenges

The Office of Inspector General FY 2010 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration represents the current assessment of Agency programs and/or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement or inefficiencies.

Within each management challenge there is a series of “recommended actions” to resolve the challenge. Each recommended action is assigned a color “status” score. The scores are as follows: green for Implemented; yellow for Substantial Progress; orange for Some Progress; and red for No Progress.

This year’s report contains two new management challenges dealing with (1) SBA’s Loan Management and Accounting System project, and (2) improper payments in the Disaster and 7(a) loan programs. Since these two management challenges are new, no color scores have been assigned; the Agency’s progress in resolving them will be

assessed during FY 2010 and color scores will be assigned in next year’s report.

Following is a summary of the FY 2010 report on the Agency’s Most Serious Management and Performance Challenges.

In FY 2009, the SBA made progress on eight major challenges; for FY 2010, the OIG identified three new challenges dealing with SBA’s Loan Management and Accounting System, improper payments in the loan programs, and internal controls. All 11 challenges fall into two major risk categories:

1. Those that pose risk of losing taxpayers’ money (i.e., guaranty purchase process, lender oversight, loan agent fraud, SBIC program risk, improper payments); and
2. Those that pose risk of delivering inefficient programs (i.e., human capital, IT security, contracting loopholes, 8(a) program execution, LMAS, and Agency internal controls).

One of the Agency’s management goals is to create a transformed, high-performing organization

STATUS SCORE						
	TOPIC	GREEN	YELLOW	ORANGE	RED	IMPROVED
1	Small Business Contracts		2	1		1
2	IT Security		4			0
3	Human Capital		3			0
4	Loan Guaranty Purchase		1	1		0
5	Lender Oversight		2	4		0
6	8(a) BD Program	1	4			3
7	SBIC Program	2	2			2
8	Loan Agent Fraud			2		-- *
9	Loan Management and Accounting System					New
10	Improper Payments					New
	TOTAL	3	18	8	0	6

* Management Challenge 8, Loan Agent Fraud, was revised in FY 2009 to include two new recommended actions. Consequently, no color scores were shown for these two remaining recommended in last year’s report against which to measure progress.

that exercises cost-effective stewardship over its resources and offers transparent and accountable service to its customers. The SBA appreciates the cooperation and work done by the OIG in helping the Agency to address successfully its major management challenges. Instituting sound internal processes leads to reduced government risk; lower cost to the taxpayer; and reduced potential for waste, fraud and abuse. The Agency concurs with the OIG Report, which reflects improvements across the board and a more consistent focus on addressing the challenges. In addition to eliminating the last remaining “red” rating and experiencing no deterioration in any single rating, The SBA is pleased to report the following results:

1. Improved ratings in six of the 29 recommended actions in four of the eight challenges; maintained “substantial” or “limited” progress in the other four challenges.
2. Achieved three green or “fully successful” ratings out of 29 actions.
3. Reduced the number of recommended actions from 39 to 29, down from 136 in FY 2004.

*Did
you
know*



Small business owners may serve on a Regional Regulatory Fairness Board to advise the SBA National Ombudsman on matters of concern to small businesses relating to the enforcement activities of federal agencies.

Contact SBA: Useful Sites and Numbers

The SBA home page is www.sba.gov. All of the program agencies may be accessed from this site. Several of the more frequently visited sites are listed below:

SBA INFORMATION	
Who We Are and What We Do	www.sba.gov/aboutsba
Find Your Local Office	www.sba.gov/localresources/
SBA's Plans and Reports	www.sba.gov/aboutsba/budgetsplans/
SBA En Español	www.sba.gov/espanol
Ombudsman	www.sba.gov/ombudsman
Online Library	www.sba.gov/tools/resourcelibrary/

FOR START-UP BUSINESSES	
What is a Small Business?	http://web.sba.gov/faqs/faqindex.cfm?areaid=24
Starting Your Business	www.sba.gov/smallbusinessplanner
On Line Training	www.sba.gov/services/training/index.html
Outside Resources and Business Hotlinks	www.sba.gov/hotlist/

FOR ESTABLISHED BUSINESSES	
Financing Your Business	www.sba.gov/services/financialassistance
Contracting	www.sba.gov/services/contractingopportunities
Surety Bond	www.sba.gov/services/financialassistance/borrowers/surety

CONTRACTING WITH THE GOVERNMENT	
Government Contracting	www.sba.gov/aboutsba/sbaprograms/gc
PRO-Net:	http://web.sba.gov/pro-net/docrootpages

DISASTER ASSISTANCE	
Disaster Assistance	www.sba.gov/services/disasterassistance
Disaster Area Office Locations	www.sba.gov/services/disasterassistance/officelocations
FEMA Information	www.fema.gov

PHONE NUMBERS TO CALL

SBA Answer Desk (Toll Free) (800) 827-5722 (800-U-ASK-SBA) - TTY (704) 344-6640

Send emails to: answerdesk@sba.gov

Disaster Customer Service Center (Toll Free) (800) 659 – 2955, 8:00 a.m.–6:00 p.m. EST, Mon.-Fri.

Send emails to: disastercustomerservice@sba.gov

Additional Performance and Financial Information

The Agency Financial Report has additional information which can be accessed from the following website URL:

http://www.sba.gov/aboutsba/budgetsplans/SERV_ABTSBA_BUDGET_2009AFR.html

Please select “Management’s Discussion and Analysis, pages 1-30” to view the following:

ANALYSIS OF SBA’S SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

Internal Control Environment	page 22
Summary of Financial Statement Audit and Management Assurances.....	page 25
Improper Payments Summary.....	page 28

Please select “Financial Reporting, pages 31-65” to view the following:

INDEPENDENT AUDITORS’ REPORT ON FY 2009 FINANCIAL STATEMENTS.....	page 38
FINANCIAL STATEMENTS AND NOTES	page 51

Please select “Financial Reporting, OIG Reports and Appendices, pages 66-128” to view the following:

OIG AUDIT FOLLOW-UP.....	page 89
OIG REPORT ON THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES . . .	page 91
AGENCY RESPONSE TO THE OIG REPORT ON MANAGEMENT AND PERFORMANCE CHALLENGES	page 110
IMPROPER PAYMENTS – APPENDIX 1	page 113



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