



THE SITUATION:

We all understand the challenges of managing 1502 loans, given the intricate SBA reporting requirements, diverse loan structures, payment tracking, regulatory changes, and the demand for precise, timely compliance. The administrative load of managing these loans can be overwhelming, especially without efficient automated systems.

For a single SBA 1502 loan, the manual labor can range from 4 to 10 hours per month, depending on the loan's complexity, the efficiency of systems or processes in place, and the need for delinquency or compliance management.

These costs and risks often motivate lenders to outsource the entire process, thus creating an opportunity for an LSP to do a better job.



THE CHALLENGE:

Many core banking platforms, like Jack Henry and others, purport to offer loan initiation but **fail to cater to the challenges presented by SBA loans, forcing staff to resort to manual workarounds.**

The primary purposes of SBA 1502 reporting include:

- **Tracking Loan Status:** Lenders use the form to report the status of SBA loans, including disbursements, repayments, and outstanding balances. This helps the SBA monitor the health and performance of its loan portfolio.
- **Interest Remittance:** Lenders must report and remit to the SBA's portion of the interest collected on guaranteed loans. This ensures that the SBA receives its share of the interest revenue.
- **Fee Calculation:** The form helps calculate guarantee fees and servicing fees owed by the lender to the SBA.
- **Default and Delinquency Monitoring:** It provides data on delinquencies and defaults, allowing the SBA to take timely action and provide necessary support to the lender and borrower.
- **Compliance and Oversight:** Regular reporting ensures lenders comply with SBA program requirements and allows the SBA to maintain oversight of the loan programs.

We had to architect a solution that would allow for all the possible changes and variables over the term of the SBA loan.



THE ENVATIVE SOLUTION:

Commissioned by an LSP (Lending Service Provider) outside of Philadelphia and went to work. We developed a custom application that:

- Handles batched or individual loan payments and disbursements
- Automatically and perpetually audits imported payments and compares the imported principal and interest with a custom algorithm
- Checks for interest rate changes during the payment month and automatically adjusts interest payments accordingly
- Checks for disbursements during the payment month and automatically adjusts interest payments accordingly
- Checks to see if the loan was sold on the open market during the payment month and calculates the "Guaranty Portion" of the payment
- Monitors the SBA Status for reporting
- Keep track of the aggregated interest paid to date after payment is recorded
- Calculates interest based on 360 or 365 days of interest

Since each lender's portfolio may have different loan structures and payment schedules, our custom software can be designed to accommodate unique terms, variable interest rates, and other loan-specific details.