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# United States Senate

COMMITTEE ON SMALL BUSINESS  
WASHINGTON, DC 20510-6350

March 28, 2000

The Honorable David M. Walker  
Comptroller General  
General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Walker:

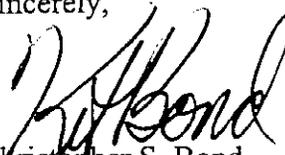
The SBA 7(a) loan guarantee program is the Small Business Administration's largest lending program and its primary vehicle for providing small businesses with access to credit. In June 1998, GAO issued its report, Small Business Administration: Few Reviews of Guaranteed Lenders Have Been Conducted. Your report indicated that SBA was not conducting required annual on-site reviews of lenders participating in SBA's 7(a) program. Your report also stated that (1) SBA regulations require that lenders be subject to supervision and examination by a state or federal regulatory authority acceptable to SBA, (2) SBA had licensed a number of non-depository institutions, known as Small Business Lending Companies (SBLC), that are not subject to state or federal supervision or examination other than oversight conducted by SBA and SBA's Inspector General, (3) about a dozen SBLCs were active in the 7(a) program, and (4) comprehensive safety and soundness examinations were not being conducted at the SBLCs.

In response to your report's findings and recommendations, SBA entered into a contract with the Farm Credit Administration (FCA) to conduct safety and soundness examinations at the SBLCs. FCA has completed a full cycle of examinations and has begun its second year of follow-up examinations at the SBLCs. I hereby request that GAO analyze FCA's examination plan for its second year. In particular, I want you to analyze whether the examination plan for each SBLC is responsive considering the findings, conclusions, and recommendations reached in the first year of examination. As part of this analysis, I want you to assess whether FCA's agreements with SBA provide FCA's examiners sufficient discretion to uncover possible unsafe and unsound practices at the SBLCs. I would also like you to assess what actions SBA has taken in response to FCA recommendations to strengthen the effectiveness of SBLC oversight.

The Honorable David M. Walker  
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Thank you for your attention to my request. Please feel free to call me if you need additional information or have your staff contact Paul Cooksey at (202) 224-

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond". The signature is written in a cursive, flowing style with a large initial "C".

Christopher S. Bond  
Chairman