

Letter from the Director

As the economic recovery continues to take hold across the country, many banks are exploring ways to increase revenues and expand small business lending. Lending programs offered by the Small Business Administration (SBA) provide an opportunity for banks to lend to small businesses while benefiting from an SBA guaranty. “SBA Lending: Insights for Lenders and Examiners” provides useful information for institutions interested in participating in the SBA program. This article describes the technical underwriting, servicing, and liquidation requirements associated with SBA loan products and provides helpful information for examiners when reviewing bank SBA loan portfolios.

An increasing number of financial institutions are entering into deposit relationships with third-party payment processors that effect payment transactions for merchant clients. As described in “Managing Risks in Third-Party Payment Processor Relationships,” this activity can expose institutions to risks not present in other commercial customer relationships. This article explains the role of third-party payment processors, identifies warning signs that may indicate heightened risk in a payment processor relationship, and discusses the controls that

should be in place to manage this risk. The article concludes with an overview of supervisory remedies that may be used when it is determined a financial institution does not have an adequate program to monitor and mitigate the risks.

We hope you find the articles in this issue to be informative and useful. We encourage our readers to provide feedback and suggest topics for future issues. Please e-mail your comments and suggestions to SupervisoryJournal@fdic.gov.

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