

Office of Inspector General

Audit Report

Low Documentation Loan Program

Atlanta District Office

Report No. 7-7-F-006-017

July 7, 1997

Summary

An audit of LowDoc loans originated in the Atlanta District Office projects that \$4.2 million out of \$74.8 million in LowDoc loan guarantees were inappropriately provided. The auditors reviewed 30 of 1,176 LowDoc loans approved since the inception of the program in December 1993 to September 30, 1996. The audit revealed that some loans had deficiencies in loan origination and servicing that were severe enough to have precluded loan approval under LowDoc guidelines. The most prevalent deficiencies included the following:

Internal Revenue Service (IRS) verifications were either not requested, requested after loan disbursement, or not reconciled to applicants' financial data.

Joint payee checks for non-working capital disbursements were not used and use of proceeds was not verified.

Equity injection requirements either were not incorporated in the Authorization and Loan Agreement or were not verified.

Lenders indicated that loan officer errors were the primary cause for the deficiencies.

The audit recommended that, for the deficient loans, SBA request that the lenders release SBA from the loan guarantees. The audit also recommended that the District Office notify LowDoc lenders of their responsibilities in processing and disbursing

loans and offer training and advice to those who need it. The Atlanta District Director generally agreed with the findings and recommendations.

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