

## **Top Ten Ways to Avoid Repairs or Denials**

1. Make sure you obtain the correct lien position on all of the collateral listed in the Loan Authorization at loan origination. Make sure to have a copy of the title policy documenting the required lien position on real property; a copy of the title for any required vehicle, and a properly filed UCC for all business personal property.
2. Make sure you properly document the loan's use of proceeds by providing copies of signed 1050 forms, copies of joint payee checks, paid invoices, HUD-1 settlement statements, wires, paid receipts, and cancelled checks. Outside of working capital, avoid disbursing loan proceeds directly to a borrower without properly documenting the use of those proceeds. Lenders should make sure proceeds were used for eligible purposes under SBA policy. If paying off credit card debt, documentation must be provided confirming debt was business related. Lender should provide credit memo update showing justification for reallocating loan proceeds when loan was not disbursed as required by the Loan Authorization.
3. Avoid doing anything that could be considered as a lender preference. PLP Lenders must submit PLP checklist and include debt schedule for debts being refinanced. PLP Lenders must follow SOP guidelines if refinancing their own debt.
4. Always perform a site visit within 60 days of an unremedied default or within 15 days of an event that would cause the loan to be transferred into liquidation status. Document the status of the collateral the bank's efforts to protect the lender/SBA's interest in the collateral. Include a comprehensive inventory of collateral, including serial numbers if applicable. Pictures of equipment and inventory are also good to have. Ensure that liquidation proceeds are properly documented and applied correctly to the right loan as a principal reduction.
5. Make sure liens are properly renewed and not allowed to lapse. Whenever you are releasing or subordinating collateral makes sure to document the justification for this action. Maintain hazard insurance for commercial property and life insurance on the principal borrower/key employees as required by the SOP and the Loan Authorization.
6. Document that IRS Form 4506-T was faxed prior to the loans origination and ensure that the tax transcript are received from the IRS and compared to what was submitted by the borrower or the seller of the business.
7. Always document the required equity injection by obtaining copies of cancelled checks or paid receipts dated prior to the loans origination or appraisals if required for asset injections. Provide copies of bank statements or other financial statements that would clearly indicate the required funds were available prior to the date of the SBA loans first disbursement.
8. Ensure that the franchise is eligible by making sure it is listed on our franchise registry. Make sure that the purpose for the loan is eligible and that the loan recipient is eligible. If the loan is processed as a PLP loan and it is an early default loan, make sure to maintain and provide a copy of the credit memorandum, a copy of the borrower's loan application, along with a copy of the completed SBA Form 912 for each principal.
9. Document the sale of all collateral and properly apply the proceeds to the SBA loan. Provide justification and evidence for abandonment of collateral. Provide Reconciliation of Business Personal Property for collateral with a unit value of \$5,000 or more. Provide post default appraisals supporting amount of recovery.
10. Properly document all expenses and provide us with copies of paid invoices and cancelled checks when requesting reimbursement. Use the new CPC Tabs available on our website to ensure efficient processing. Make sure you submit recovery proceeds in a timely manner.