

Overcoming 7(a) Issues and Expediting the Process

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Standard 7a Loan Guaranty Processing Center (LGPC)*

My Objectives

To let you know:

- What the LGPC does and **how it operates**
- What the LGPC **submission requirements** are
- What we see as the biggest **Issues** and **Mistakes**
- How you can make the process go more smoothly:
 - i.e. Increase package **Accuracy** and **Completeness**
- How to reduce your likelihood of a **Screen Out**

7(a) LGPC Locations

6501 Sylvan Rd., Citrus Heights, CA 95610

Phone: (877) 475-2435 toll free

Fax: (916) 735-1975

and

262 Black Gold Blvd, Hazard, KY 41701

Phone: (606) 436-0801

Fax: (606) 435-2400

“One site with a very long hallway”

Loans Processed at the LGPC

- Standard 7(a) - includes CLP (primary workload)
- S/RLA
- CAPLines
- EWCP (Export Working Capital Loans)
- International Trade Loans
- Dealer Floor Plan Loans (under ARRA as a pilot)
- ARC Loans (until 9/30)

How to Submit Your Guaranty Request

- Submit electronically via “SendThisFile” (strongly recommended)
- Fax to either location
- Send it via snail mail to either location
- Compile it in an organized manner
- Do NOT e-mail it (we won’t get it and won’t know it)

To use “SendThisFile” on the LGPC website, go to:

<http://www.sba.gov/aboutsba/sbaprograms/elending/lgpc/index.html>

- We confirm receipt of all applications by fax or e-mail, and provide you with a Control Number. If a you do not receive confirmation within in 72 hrs, please contact us. (If you don’t hear from us, we didn’t get it.)
- Please do not submit application in binders or notebooks (all paper gets shredded after scanning)

Most Frequent Screen Out Reasons

- ✓ SBA Form 4 incomplete
- ✓ Form 4-I missing/incomplete
- ✓ 912 form(s) missing
- ✓ Affiliate information lacking
- ✓ Franchise Agreement not submitted
- ✓ Business Valuation not provided or unacceptable
- ✓ Personal Financial Stmt lacking or incomplete (e.g. spouse didn't sign)
- ✓ Pro-forma Balance Sheet incomplete or missing
- ✓ Derogatory Credit (e.g. tax liens) not addressed
- ✓ Interest rate adjustment period lacking (on variable rate loans)
- ✓ **Ineligible Components** in the Loan (balloons, term, injection, **UOPs**)
- ✓ Info required to completed **global CF analysis** lacking
- ✓ LOC information incomplete
- ✓ Repayment Ability not demonstrated
- ✓ Available Collateral not pledged

Common Screen Out Reasons with Refi

- The participating lender did not include a transcript of the account along with certification that the loan has not been more than 29 days delinquent
- Certification for credit card debt
- Documentation for refinancing an SBA-guaranteed loan
- Lender’s loan analysis did not include the following:
 - Why was the debt incurred? What was the original purpose?
 - Has over-obligated or imprudent borrowing necessitated a major restructuring of the debt?
 - Is the debt being refinanced currently on reasonable terms?
 - Will the new loan improve the financial condition of the Small Business Applicant?
 - Does the refinancing include payments to creditors in a position to sustain a loss, for example, the applicant has an inadequate collateral position, low or deficit net worth, or the loan is in default?
 - Would the lender/SBA be likely to sustain part or all of the same loss by refinancing the debt or will additional collateral or altered terms protect the interest of the taxpayer?
 - What portion of the total loan does the refinancing constitute?

Mistakes We See with Refinancing

- Incomplete business debt schedules
- Pg.2 of Form 4 is incomplete and does not indicate which loans to be refinanced. (or the amount requested for refi differs)
- Incomplete Eligibility Questionnaire - Addendum E
- All questions in Debt Refi Justification/Calculation (Addendum E cont.) are not answered
- **When refinancing SID:** Failure to provide transcripts and certification no 29 day late payments (with summary of del.)
- **When refinancing Business Acquisition Debt:** Failure to provide a business valuation
- **When refinancing Seller Carry Back Financing:** Failure to provide certification no 29 day late payments
- **When refinancing Credit Cards:** Failure to provide appropriate certifications

Some Key things to Look For

- Does the application include any refinancing?
- Is the refi for SID, seller carry back, etc?
- Does the debt being refinanced meet all eligibility requirements? (e.g. was the original use eligible for SBA financing, is it on unreasonable terms, no longer meets the needs of the business, business use).
- Will the SBA have at least as good of a collateral position as the loan being refinanced?
- If a waiver is required, have you submitted all additional documentation?
- Have you carefully reviewed the Eligibility Questionnaire?
- Have you used the Loan Submission Checklist?

When Submitting Your Guaranty Request

- If you have questions or concerns, ask before submitting the application
 - District Office
 - LGPC Call Center (877) 475-2435 (toll free)
 - 7aquestions@sba.gov
- Ensure the application is complete, signed & dated
 - (use the submission checklist!)
- Clearly explain any conflicting information
- Organize your app in a logical manner
- Submit your app via “SendThisFile”

Steps For Application Submission

- Step 1:** The Lender determines that it cannot consider the loan request without SBA's guaranty.
- Step 2:** The Lender reviews Applicant's proposal to determine it meets SBA's eligibility and credit requirements; which includes repayment.
- Step 3:** Complete the 7a Eligibility Questionnaire.
- Step 4:** Complete the required Borrower and Lender Applications (Form 4- including Schedule A for collateral and Form 4-l or 2301- Parts A, B, C).
- Step 5:** SBA Form 912, Statement of Personal History (Required for all proprietors, partners, officers, directors, and holders of 20 percent or more of the ownership; if a corporation or limited liability company.)

Steps For Application Submission

- Step 6:** Compile Personal Financial Statements-All spouses are required to sign and date the Statement even if they are not guaranteeing.
- Step 7:** Compile Business Financial Statements- Year end Balance Sheet and Profit and Loss Statements for most recent 3 years. Also provide interim Financial Statements dated within 90 days of application. The Business Financial Statements must be signed and dated.
- Step 8:** Compile same information as above for all Subsidiaries and Affiliates.
- Step 9:** Discuss the history of the business.
- Step 10:** If Business is new- Month by month cash flow projections for one year; management's experience in the industry; explanation of type and source of applicant investment; address business plan and cite any areas of concern and justification to overcome them.
- Step 11:** Compile resumes of all principals.

Steps For Application Submission

Step 12: IRS Form 4506-T

This form must be submitted to the IRS for all existing businesses as well as change of ownerships. (The date of the submission must be completed on the 7(a) Center Guaranty Application Submission Checklist).

Step 13: USCIS Form G-845, Document Verification Request (Required for all those who indicate on SBA Form 912 that they are not U.S. citizens).

Step 14: Complete Credit Memorandum that covers points outlined in SOP on page 175 for Regular 7(a) and pages 176 and 177 for Small/Rural Advantage Program.

Step 15: Compile any other supporting loan documentation, including Authorization.

Submission Checklist (on website)

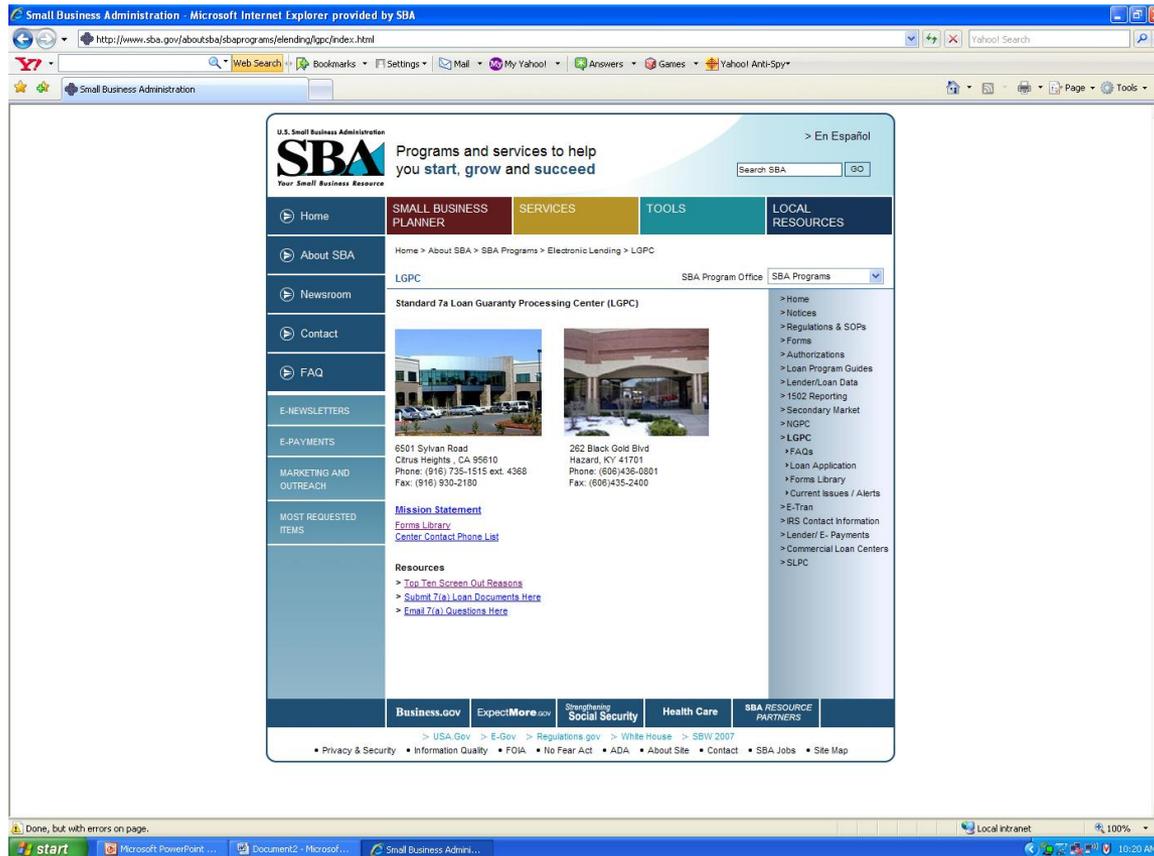
7(a) Center Guaranty Application Submission Checklist

Version 07/28/07

	YES	NO	N/A
7(a) Eligibility Questionnaire - should be submitted with loan application package			
SBA Form 4 <i>Application for Loan</i> completed in its entirety, and signed and dated.			
FORM 4 EXHIBITS:			
1. SBA Form 912 <i>Statement of Personal History</i> From proprietor (if proprietorship), by each partner (if partnership), or by each officer, director, and holder of 20 percent or more of the voting stock (if corporation or limited liability entity).			
2. SBA Form 4 Schedule A <i>Schedule of Collateral</i> List all collateral with original cost of \$5,000 or more. For <u>Real Estate</u> include address, year purchased, original cost, market value, amount of liens, name of lien holder(s). For <u>Personal Property</u> include brief description, manufacturers name, model, serial number, year purchased, original cost, market value, amount of liens and name of lien holder(s).			
3. <i>Personal Financial Statement</i> Copies of current financial statements (dated within 90 days of submission to SBA) of all owners (20% or more), officers and proposed guarantors, signed and date required, including spouses. Bank form or SBA Form 413			
4. Business Financial Statements			
a. <i>Year End Balance Sheet for the last three years.</i> Copies should be signed and dated by the applicant or it's partner or authorized officer, or properly certified if prepared by an outside accountant.			
b. <i>Year End P&L for the last three years.</i> Copies should be signed and dated by the applicant or it's partner or authorized officer, or properly certified if prepared by an outside accountant.			
c. <i>Reconciliation of Net Worth</i>			
d. <i>Interim Balance Sheet dated within 90 days of application.</i> Copies should be signed and dated by the applicant or it's partner or authorized officer, or properly certified if prepared by an outside accountant.			
e. <i>Interim P&L dated within 90 days of application.</i> Copies should be signed and dated by the applicant or it's partner or authorized officer, or properly certified if prepared by an outside accountant.			
f. <i>Subsidiaries & Affiliates</i> Balance sheet, P&L, Reconciliation of Net Worth same as above.			
g. <i>Cash Flow Projection</i> Month by month for one year if less than three full fiscal years provided and for all loans with a term of 18 months or less.			
5. History of Business			
6. <i>Resume of Principals</i> —Provide a brief description of the educational, technical and business background of all those listed under management on the Application.			
7. MISCELLANEOUS			
a. <i>Copy of Lease</i>			
b. <i>Detailed Listing of Machinery & Equipment to be Purchased & Cost Quotes</i>			
c. <i>Real Estate Purchase</i> Copy of appraisal, lender's environmental questionnaire, cost breakdown, copy of purchase agreement.			
d. <i>Purchase of Existing Business:</i> Copy of the buy-sell agreement, pro-forma balance sheet for the business being purchased as of the date of transfer. <u>If repayment will be demonstrated on the basis of historical performance</u> , copy of financial statements for no less than the last 3 complete fiscal years, plus interim statements which are no older than 90 days from receipt of application.			
e. <i>New Business:</i> Explanation of type and source of applicant investment.			
f. <i>Franchise</i> Copy of Franchise Agreement and Federal Trade Commission Disclosure Report of Franchisor, or if the franchisor is listed on the franchise registry, a certification of change/no change, as appropriate.			
OTHER FORMS			
SBA Form 159 <i>Compensation Agreement</i>			
IRS Form 4506-T <i>Request for Copy of Tax Return</i> Include date of submission to IRS Date: _____			
INS Form G-845 <i>Document Verification Request</i> Lender submits to INS to verify alien status. Include copy of INS response.			
SBA Form 4-I <i>Lender's Application</i> Completed in its entirety, a signed dated copy including pro-forma balance sheet.			
Form 4-I Exhibits:			
1. <i>Explanation of Use of Proceeds and Benefits of the Loan</i> Sources and uses of financing.			
2. <i>Bank's Internal Credit Memo</i>			
3. <i>Additional Justification for New Businesses, including Changes of Ownership</i> With new businesses, including change-of-ownership, where management has not demonstrated historical repayment ability of the requested loan, the lender must provide a narrative addressing the business plan and cite any areas of concern and justification to overcome them.			
SBA AUTHORIZATION Latest version of the Wizard may be downloaded from http://www.sba.gov/aboutsba/sbaprograms/eflending/index.html (required for PLP & CLP lenders)			

Use the LGPC Web Site

<http://www.sba.gov/aboutsba/sbaprograms/elending/lgpc/index.html>



Use the LGPC Resources

- Call Center number: (877) 475-2435 (toll free – in Citrus Heights)
- e-mail Box for questions: 7aquestions@sba.gov
- e-mail Box for loan documents and trailing documents:
7aloanprogram@sba.gov
- Document drop off on the website for large documents:
‘SendThisFile’
- LGPC Web Site:
<http://www.sba.gov/aboutsba/sbaprograms/elending/lgpc/index.htm>

Other Resources

- ✓ Standard 7a Guaranty Application Submission-www.sba.gov/banking
- ✓ Submission Checklist
- ✓ Eligibility Questionnaire
- ✓ Other Forms-912, etc.
- ✓ Electronically Submit Documents
- ✓ Authorization
- ✓ Closing Instructions
- ✓ SOP- current version is the 50 10 5(B)
- ✓ Franchise Registry-www.franchiseregistry.com
- ✓ NAICS/SIC Codes-www.naics.com
- ✓ SBA Size Standards-
www.sba.gov/contractingopportunities/officials/size/index.html
- ✓ Your local SBA District Office

Questions

