



**U.S. Small Business Administration**

**Loan Guaranty Processing  
Center – LGPC**

**Citrus Heights, CA**

**Lessons Learned**

Visit us at [www.sba.gov](http://www.sba.gov)

# ***Lessons Learned – LGPC***

## **Purpose:**

- To identify ways District Offices can help their Lenders
  - Increase package accuracy and completeness
  - Reduce loan processing time

# ***Lessons Learned – LGPC***

## **All loans**

- If conflicting information is in the package
  - Explain in cover letter
- If lenders have questions, ask **BEFORE** submitting application
  - District Office
  - [7aquestions@sba.gov](mailto:7aquestions@sba.gov)
- Business owner must include their salary
- If borrower is leasing, lender must keep copy of lease for liquidation purposes

# ***Lessons Learned – LGPC***

## **All Loans**

- Do not submit application in binders or notebooks
  - Makes it difficult to reproduce
- Electronic or Fax works best
  - Use black and white with clear background
  - Orient fax pages correctly
- Use “Send This File” on LGPC website
- <http://www.sba.gov/aboutsba/sbaprograms/ending/lgpc/index.html>

# ***Lessons Learned – LGPC***

## **All Loans**

- Complete entire application
- SSN must be accurate
- SSN must be included for all borrowers
- Lenders and DO should prescreen for prior Federal losses
  - CAIVERS
  - Debt Check
- HOT BUTTON – Debt Refinance
  - Home equity loans & credit cards

# ***Lessons Learned – LGPC***

## **All Loans**

- Contact info required on each application
  - Lender
  - Packager (if applicable)
    - Complete SBA Form 159
      - Fees over \$2500 must be itemize
- Business valuation required on change of ownership
  - If loan  $\leq$  \$250K, lender can use internal valuation
  - If loan  $>$ \$250K, lender must use accredited valuation

# ***Lessons Learned – LGPC***

## **All Loans**

- For renewal, PLP, Express, and Community Express
  - Lenders submit a letter on behalf of the Bank certifying as to whether:
    - Bank in good standing with its primary regulator
    - Bank currently is or in the past two years has been subject to:
      - Enforcement action by any of its state or Federal regulators
      - Any formal or informal agreements with any of its state or Federal regulators.

# ***Lessons Learned – LGPC***

## **7a Loan Application, Form 4**

- Must be complete in filling out
  - “Current and previous” ...
    - SBA debt
    - Other government debt
  - Existing business debt
- Signatures and dates essential
  - Financials and Tax Returns
    - Borrower and spouse
      - Even if an accountant prepared the statements
  - Owners with  $\geq 20\%$  interest
    - Sign as either an owner or guarantor

# ***Lessons Learned – LGPC***

## **7a Loan Application, Form 4i**

- Must clearly identify interest rate
  - Fixed or Variable
  - Prime, Peg, or LIBOR
- Requested Financials are a must
  - Match pro-forma balance sheet on page 2
  - Existing business
    - 3 years of financials plus 1 year of projections
  - Start-up business
    - 1 year of projections

# ***Lessons Learned – LGPC***

## **Rural Lender Advantage SBA Form 2301**

### **Part A**

- Include 6-digit NAICS Code
- If loan for Export Working Capital
  - Complete SBA Form 2310

### **Part C**

- Insure all business debt included
  - No personal debt
- Refinance requests
  - Explain why current loan is on unreasonable terms
  - Show 10% improvement in payments
  - Will decline if payments not current
  - Certification letter and transcript required

# ***Lessons Learned – LGPC***

## **Community Express**

- If loan >\$25K, business must be located in LMI area
- Borrower must receive TA
  - SBA Resource Partners automatically eligible to provide TA
  - Other providers require District Office approval
  - TA fees cannot be charged to borrower
- Now incorporates HUBZone areas

# ***Lessons Learned – LGPC***

## **Legal - Environmental**

- Environmental concerns must be addressed on all Commercial Real Estate transactions
- Must complete Environmental Questionnaire per SOP 50 10 5(B), Page 186
  - Addresses past and present property and adjacent property uses with regards to sensitive industries
    - See SOP Appendix 4
- May need Phase I and/or Phase II study

# ***Lessons Learned – LGPC***

## **Legal - Environmental**

- Lender may appeal legal opinion on commercial real estate environmental remediation
  - [Environmentalappeals@sba.gov](mailto:Environmentalappeals@sba.gov)
  - Few decisions are reversed

# ***Lessons Learned – LGPC***

## **Legal - Franchises**

- Size analysis very important.
- If not on franchise Registry
  - Submit early to avoid delay of loan approval
- When submitting franchise Agreement
  - Send once
    - Multiple submissions cause Center problems
  - Send to [franchise@sba.gov](mailto:franchise@sba.gov)
- PLP/Express review agreements themselves
  - Should not submit for SBA review

# ***Lessons Learned – LGPC***

## **Legal - Franchises**

- SBA internal reviews do not become precedent and are only good for that loan
- Franchise Registry review of Master Franchise Agreement necessary for SBA precedent
  - Certificate of “No Change” required for each new application
- SBA reviews may change if Master Franchise Agreement changes

# ***Lessons Learned – LGPC***

## **Legal - Franchises**

- Lenders can appeal franchise review
  - May satisfy objections
- Non-franchise business agreement could trigger SBA legal review
  - Issues could be operational control or fees

# ***Lessons Learned – LGPC***

## **ARC Loan Program**

- Some FAQs for borrowers are confusing
  - Example: If a borrower is > 60 days past due, not necessarily ineligible. Cannot be approved by delegated process. Requires LGPC review.

# ***Lessons Learned – LGPC***

## **E-Tran**

- As soon as lender begins ETRAN application, record application number
  - ETRAN system does not immediately save the name and loan identification number
  - If process is interrupted, lender will require ETRAN application number to continue processing