

# Office of Inspector General

## **Audit Report**

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### **Defaulted Loans Made by Allied Lending Corp.**

#### **Report No. 7-6-F-006-002**

**November 29, 1996**

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#### **Summary**

##### **Borrower Ineligible for \$1.1 Million International Trade Loan**

A Missouri firm with no prospects for export business was approved for a \$1.1 million international trade loan by the St. Louis District Office. The loan was one of three loans made by Allied Lending Corporation to the same company; all three loans went into liquidation 7 months after approval.

The Auditing Division reviewed the loans because of their early defaults and because the St. Louis District Director reported a possible conflict of interest by a representative of Allied Lending Co. Although the auditors found no basis for a conflict of interest, they found that the loan origination was defective because neither the lender nor the District Office established that the loan would enhance exports. The audit report recommended that the St. Louis District Office take steps to ensure that eligibility for international trade loans is established before loan approval.

In a second issue, the auditors found that Allied Lending collected \$29,000 for interest in excess of the 120 days approved by SBA. The audit report recommended that Allied be required to forward SBA's 75 percent share of the excess interest, or \$22,000.

The St. Louis District Office had no objection to the audit findings and recommendations.