

TOP REASONS FOR REPAIR AND DENIAL

1. Lien and Collateral Issues that Result in Missed Recoveries (Generally a Repair)

- a. Failure to obtain required lien position
- b. Failure to properly perfect security interest
- c. Failure to fully collateralize loan at origination when additional collateral was available

2. Unauthorized Use of Proceeds

- a. Proceeds disbursed for purpose(s) inconsistent with the loan authorization or subsequent modifications without a business justification. (Could be a Denial if early default and improper use of proceeds caused the failure of the business)
- b. Same lender Non-SBA loan paid with PLP loan proceeds (preference)

3. Liquidation Deficiencies (Generally a Repair unless harm is the full value of the outstanding balance)

- a. Failure to conduct Site Visit which resulted in missed recoveries
- b. Improper safeguarding or disposition of collateral which resulted in missed recoveries
- c. Misapplication of recoveries to lender's loan when SBA-guaranteed loan has lien priority

4. Undocumented Servicing Actions (Generally a Repair)

- a. Liens not properly renewed during servicing on worthwhile collateral
- b. Release or subordination of collateral without documented business justification
- c. Allowing hazard insurance to lapse on major collateral and collateral was subsequently destroyed
- d. Failure to maintain life insurance on principal and principal subsequently dies

5. Early Defaults (Denial if determined to be reason for business failure)

- a. Missing or unsupported verification of required equity injection (includes verification of source in some cases)
- b. Missing or unsupported documentation of verification of borrower financial information with IRS when financial information was relied on in lender's credit analysis

6. SBA Loan Eligibility (Denial)

- a. Ineligible franchise
- b. Ineligible loan purpose
- c. Ineligible loan recipient (loan to an associate of lender)