

PRELIMINARY PLP LOAN CASE FINDINGS
(Confidential)

Loan Name _____
SBA Loan Number _____ Loan Amount \$ _____
Lender Name _____
Reviewer Name _____ Review Date _____
Closing Date _____

Check any of the following that apply to this loan

- Processing Servicing Liquidation
 EPC/OC Franchise 90% Financing Change in Ownership

Use of Proceeds

_____ Inventory	_____ Working Capital	_____ Machinery/Equipment
_____ Furniture/Fixtures	_____ Purchase R/E	_____ Construct R/E
_____ Debt Refinancing	_____ Leasehold Improvements	_____ Other _____
_____ Other _____	_____ Other _____	_____ Other _____

SECTION I – PROCESSING (1-37): (FORMS/ELIGIBILITY/CREDIT ANALYSIS)

SECTION II – DUE DILIGENCE (38-57): (AUTHORIZATION/CLOSING)

SECTION III - SERVICING/LIQUIDATION (58-75):

PLP APPLICATION FORM CHECKLIST

	<u>Complete</u>	<u>Signed</u>	<u>Dated</u>
1. Application for Business Loan (Sub A, Chap 6, Sec 4a & c).			
• Form 4 (p 145)	(1)	_____	_____
• Applicant's Certification (Signature Page) (p 146)	(1)	_____	_____
2. SBA Form 4-I, "Lender's Application for Guaranty Participation," executed with two Lender signatures (Sub A, Chap 6, Sec 4a & Sub D, Chap 3, Sec 8c) (p 145 & 348).	(2)	_____	_____
3. SBA Form 912, "Statement of Personal History." (Applies to all individuals per form instructions) (Sub A, Chap 6, Sec 4d) (p 147).	(3)	_____	_____
4. SBA Form 1624, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transactions", executed by applicant. (Sub A, Chap 6, Sec 4i (p 157).	(4)	_____	_____
5. SBA Form 1846, "Statement for Loan Guarantees and Loan Insurance", executed by lender. (Sub A, Chap 6, Sec 4j) (p 159).	(5)	_____	_____
6. Personal Financial Statements (no older than 90 days of date of application). (Sub A, Chap 6, Sec 4g) (p 156-1 & 156-2).	Current? (6)	_____	_____
7. Business Financial Statements, for applicant or seller, if applicable. (3 years past plus interim – For applicant, no older than 90 days of date of application (Form 4) or for seller statements, no older than 90 days of receipt of application (Form 4) (Sub A, Chap 5, Sec 4e & Sub B, Chap 1, Sec 3c) (p 152, 153 & 196).	Current? (7)	_____	_____
8. All application forms are dated prior to submission of application to Sacramento Processing Center and prior to receipt of approval number from the Processing Center (Sub D, Chap 3, Sec 7b) (p 343).	(8)	Date _____	Yes <input type="checkbox"/> No <input type="checkbox"/>

PLP CHECKLIST FOR REVIEWING ELIGIBILITY

1. Size determinations were correct and analyzed according to SBA policy: (9) _____
_____ Business is small via size determination as of the date of the lender's approval of the loan and any possible affiliation has been identified (primary industry of SBC, NAICS code, size standard, annual receipts or employees of SBC, size conclusion). (Sub A, Chap 2, Sec 2f & Sub A Chap 3) (p 9-10 & p 71-80).
_____ If there are any affiliates, determination that business and affiliate group meet SBA's size standards (primary industry of affiliate group, NAICS code and size standard for that industry, affiliate group's combined annual receipts or employees, size conclusion) (Sub A, Chap 3, Sec 3) (p 73 & p 71-80).
2. Written evidence that credit is not otherwise available on terms not considered unreasonable without guarantee provided by SBA (Sub A, Chap 2, Sec 3) (p 12). (10) _____
3. Personal resources test was applied and enforced according to SBA policy: (including gross liquid assets of each proprietor, general partner, limited partner owning 20% or more of business, each limited liability company owner, each stockholder with 20% or more ownership, and owner spouse(s)) (Sub A, Chap 2, Sec 4) (11) _____
_____ Written calculation in file (p 18).
_____ If applicable, excess funds were injected into the business (p 15-23).
4. Nature of business is eligible. (12) _____
_____ **Business must be a for-profit, domestic operation** (Sub A, Chap 2, Sec 8) (p 28 & 31).
_____ **Business is not, unless certain exceptions have been met** (Sub A, Chap 2, Sec 8):
_____ Engaged in Lending (p 28-29);
 Passive Holder of Real and/or Personal Property (p 30);
 Life Insurance Company (p 30);
 Located in a Foreign Country (p 31);
 Pyramid Sales Distribution Plan (p 32);
 Engaged in gambling (p 33);
 Illegal (p 34);
 Patronage (Membership) Restricted (p 34);
 Government-Owned (p 34-35);
 Engaged in Promoting Religion (p 36);
 Consumer or Marketing Cooperative (p 37);
 Engaged in Loan Packaging (p 38)
 Engaged in Political or Lobbying Activities (p 43); or
 Speculative (p 44-45).

5. Nature of business and type of program is eligible for PLP processing (Sub D, Chap 3, Sec 7).

(13) _____

_____ **Business is not:**

- ✓ Owned by Persons (owners, partners and/or principals) of Poor Character (SBA Form 912 does not contain any “yes” answers to the character questions) (p 342);
- ✓ Delinquent on Any Existing SBA loan (p 342);
- ✓ Engaged in Doing Business in Foreign Countries (p 340);
- ✓ Agricultural/Farm Business (p 340);
- ✓ Fishing/Shore Operation (includes commercial fishing activities and the construction of new fishing vessels) (p 340);
- ✓ Medical Facility (includes residential care facilities) (p 340);
- ✓ Mine (includes sand and gravel pits) (p 340);
- ✓ Engaged in Promoting Religion or Religious Beliefs (businesses engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting) (p 36, 37 & 340)

_____ **Loan type is not:**

- ✓ Microloan (p 339);
- ✓ Development Company Loan Program (p 339);
- ✓ Pilot Program (unless SBA authorizes use of PLP) (p 339);
- ✓ Disabled Assistance Loan Program (DAL) (p 339);
- ✓ Energy Conservation (p 339);
- ✓ Qualified Employee Trusts (ESOP) (p 339);
- ✓ Pollution Control Program (p 340);
- ✓ CAPLines Program (p 340);
- ✓ DELTA, unless the loan meets SBA eligibility requirements; the DELTA certification statements are completed, signed, dated & maintained in the lender’s loan file; the credit memo specifies the basis for DELTA eligibility; and the request for the PLP number identifies the loan as DELTA (p 254); and
- ✓ Export Working Capital Program (EWCP), unless Lender has obtained special authority from SBA to make PLP EWCP loans (p 340);

_____ **Loan does not:**

- Reduce the lender’s credit exposure, except in cases where an interim loan(s) has been made for other than real estate construction purposes to the borrower and approved by the lender within 90 days of receipt of the issuance of a subsequent PLP loan number (p 341).
- Include Unremediated, Contaminated Collateral (p 342).
- Demonstrate Previous Submission to SBA Under Another Application System (p 339 & 342).

6. Principal(s) are (Sub A, Chap 2, Sec 15): (14) _____

_____ **U.S. or Naturalized citizens,**

_____ **Legal Permanent Resident** (LPR or immigrant, also known as Permanent Resident Alien) (p 70-2):

- ✓ current/valid INS documents in file for any alien who owns 20% or more of the business (primary document evidencing INS status is INS Form I-551); and
- ✓ evidence that lender has verified INS status of each alien.

_____ **Non-Immigrant Aliens**, (persons admitted to the U.S. for a specific purpose & for temporary period of time) (p 70-1,70-4, 70-5):

- ✓ current/valid INS documents in file permitting them to reside in the U.S. legally;
- ✓ evidence that lender has verified INS status of each alien;
- ✓ evidence that separate continual & consistent management (in addition to the owners) exists & will continue indefinitely (management must be U.S. citizenship or verified LPR status);
- ✓ management must have operated the business for at least 1 year prior to the application date; and
- ✓ pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan any time during its life.

_____ **Foreign Nationals** (non-citizens who reside outside the U.S.) or **Foreign Entities** (businesses, organizations, etc. based in another country) (p 70-3 & 70-5):

- ✓ operates primarily within the U.S.; pays taxes to the U.S.; and uses American products, materials, and labor;
- ✓ evidence that separate continual & consistent management (in addition to the owners) exists & will continue indefinitely (management must be U.S. citizenship or verified LPR status);
- ✓ management must have operated the business for at least 1 year prior to the application date; and
- ✓ pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan any time during its life.

7. Business is not of a sexually prurient nature (Sub A, Chap 2, Sec 8) (p 39-40). (15) _____

8. If the loan applicant(s) received any prior federal financial assistance, did the applicant(s) demonstrate no loss to the Government (Sub A, Chap 2, Sec 8) (p 41-43)? (16) _____

9. For EPC/OC situations, the following must be evident (Sub A, Chap 2, Sec 9): (17) _____
- _____ Written lease plus options for term of loan, and subordinated to loan (p 45).
 - _____ Assignment of rents paid (p 45).
 - _____ OC is co-borrower or guarantor (if loan includes working capital, OC must be a co-borrower) (p 45).
 - _____ Each 20% or more owner of EPC or OC is personal guarantor (trustee executes on behalf of trust) (p 45).
 - _____ Lease payment is no greater than debt payment plus reasonable property maintenance (p 47).
 - _____ 100% of space is leased by OC from EPC (p 50).
 - _____ If trust, additional conditions have been met (p 46).
- (Note: For EPC/OC approvals, identical ownership and related business purpose for multiple OC occupants are not necessary (procedural notice)).

10. Use of proceeds is eligible (Sub A, Chap 2, Sec 10). (18) _____
- _____ Proceeds fund sound business purposes (p 51).
 - _____ Funds are not paid or distributed to Associates (owner) of the applicant (business) (except for ordinary compensation for services rendered or interim loan financing) (p 52).
 - _____ Proceeds do not refinance a Small Business Investment Company debt (p 52).
 - _____ Floor plan financing is not provided (p 52).
 - _____ Proceeds do not finance investments in real or personal property acquired and held primarily for sale, lease or investment (except for EPC or 100% change of ownership stock purchase) (p 52).
 - _____ Funds do not benefit anyone other than the applicant business (this provision restricts proceeds going to the business owner(s)) (p 53).
 - _____ Proceeds do not pay past-due Federal or state payroll taxes held in trust (p 53 & 106).

11. If proceeds are used for debt refinancing, confirmation of the following

(Sub A, Chap 2, Sec 11):

(19) _____

- _____ Existing debt to be refinanced is not on reasonable terms (p 54).
- _____ Refinancing provides a substantial benefit to the small business (p 54).
 - ✓ For long-term debt, the business must receive a permanent substantial benefit, which is defined as at least 20% improvement to the company's cash flow & for multiple debts, the change in debt service burden (cash flow requirement) of each debt must be determined & no refinanced debt can have a higher debt service requirement after refinancing (p 54-55).
 - ✓ For short-term debt (including credit card debt), balloon payment notes & interest only debt, other substantial benefits apply; therefore, these debts are not subject to the 20% improvement (p 56 & 57).
- _____ Creditor(s) to be paid are not in position to sustain loss (p 54).
- _____ Existing debt is not SBA guaranteed debt (p 59 & 342).
- _____ If short-term debt (including credit card debt), documentation confirms that the debt was used for legitimate business purposes of the applicant (p 56).
- _____ If long-term debt, the need for the business to receive a lower debt service requirement is justified (p 55).

12. If the loan proceeds were used to acquire, build or renovate real property, were the occupancy percentage requirements met? (Sub A, Chap 2, Sec 13)

(20) _____

- If loan is for the acquisition, renovation or reconstruction of an existing building or construction of a new building **without** any third party (partial) leasing:
 - _____ Borrower/OC(s) occupies 100% of space.
- If loan is for the acquisition, renovation or reconstruction of an existing building **with** residential and/or rental space (p 60):
 - _____ The borrower/OC(s) is leasing out up to 49% of rentable property (interior usable square footage plus the interior common areas).
 - _____ Loan proceeds are not used to remodel or convert the space to lease out.
 - _____ The location is appropriate and conducive to the success of the business.
 - _____ Alternative facilities are not reasonably available.
- If loan is for the construction of a new building **with** residential and/or rental space (procedural notice 5000-703):
 - _____ Borrower/OC must immediately occupy at least 60% of the rentable property;
 - _____ Continue to occupy at least 60% of the rentable property for the term of the Loan;
 - _____ Lease long term, no more than 20% of the rentable property to 1 or more occupants;
 - _____ Plan to occupy within 3 years some of the remaining rentable property not immediately occupied or leased long term; and
 - _____ Plan to occupy within 10 years all of the rentable property not leased long term.

13. If loan involves a change of ownership, did it meet change of ownership eligibility guidelines? (Sub B, Chap 1, Sec 3) (21) _____
- _____ Justification of change of ownership documented in file (must be reasonable need for change; such as, preservation of business existence or promotion of its sound development (p 194)).
- _____ Evidence of arms-length transaction through a business valuation (p 194).
- _____ If buyer and seller are related, valuation is through an independent third party (p 196-197).
- _____ Reason for sale is identified (p 195).
- _____ Not pay off seller debt, held by/owed to participant lender (p 59.1).
14. If loan is a piggyback, loan is not a same-lender piggyback (more than one loan at or about the same time for the same purpose, with the SBA loan in junior lien position) (Sub D, Chap 3, Sec 7) (p 19 & 342). (22) _____
15. If loan finances real estate acquisition or a new business, loan does not finance more than 90% of the actual cost of any real estate being acquired or more than 90% of the capital needs for a new business (Sub A, Chap 4, Sec 1 & Sub D, Chap 3, Sec 7) (p 86 & 342) (23) _____
16. If a Franchise, determination of franchisee's power to control has been made by (Sub A, Chap 5, Sec 6): (24) _____
- _____ Listing on Franchise Registry and Certification of No Change (procedural notice), or
- _____ Determination by lender and FTC Disclosure Statement, 1st page (p 112-113).
17. No actual or apparent conflicts of **borrower** interest were detected (Sub A, Chap 2, Sec 14) (p 61-66). (25) _____
18. No real or apparent conflicts of **lender** interest with loan were detected (Sub A, Chap 2, Sec 14) (p 61-66). (26) _____
19. If multiple SBA loan(s) exist, the aggregate amount of the SBA portions of all loans to the Borrower/OC (including affiliates/EPC), including the new loan, is within SBA lending limits (Sub A, Chap 4, Sec 2) (p 95 & procedural notice 5000-703). (27) _____
- ✓ Maximum Guarantee = \$1,000,000 for 7(a).
 - ✓ Maximum Guarantee = \$1,000,000 for Pollution; \$1,250,000 for International Trade; & \$937,500 (\$1,250,000 x 75%) for DELTA.

20. Was the loan amount and guarantee percentage, maturity of loan and interest rate consistent with SBA policy? (Sub B, Chap 1, Sec 1, & 4-8)

(28) _____

_____ **Loan Amount Does Not Exceed:**

- ✓ \$2,000,000 for 7(a) (p 199 & procedural notice 5000-703).

_____ **Percent of Guarantee Does not Exceed:**

- ✓ 85% on Loans of \$150,00 or Less or 75% on Loans Greater Than \$150,000 (p 199-202 & procedural notice 5000-703).

_____ **Maturity of Loan Does Not Exceed:**

- ✓ ≤ 25 years for Real Estate & ≤ 10 years all other loans (p 203-205).

_____ **Interest Rate Does not Exceed:**

- ✓ maturity ≥ 7 years = 2.75% over base rate
- ✓ maturity < 7 years = 2.25% over base rate
- ✓ loans $> \$25,000$ & $\leq \$50,000$ = 1 point over rates above = 3.25% & 3.75%
- ✓ loans $\leq \$25,000$ = 2 points over rates above = 4.25% & 4.75% (p 205-212).

PLP CHECKLIST FOR REVIEWING CREDIT QUALITY

1. Repayment Ability. Reviewer should determine if Lender **adequately analyzed** repayment factors such as data upon which decision was made (clearly detailed), historical cash flow demonstrating repayment ability, historical data determined reliable, projected cash flow demonstrating repayment ability, projections based upon reasonable assumptions, owner withdrawal/salary clearly identified and supportable, separation of substantiated rental and operational repayments, if applicable or other considerations, to reach a sufficient conclusion. (p 60-5, 84-85 & 347). **Comment** upon any relevant issues not considered, or not considered sufficiently, that result in a “No” response. (29) _____

2. Working Capital. Reviewer should determine if Lender **adequately analyzed** the future cash needs of the business (over and above basic service requirements). (p 82). **Comment** upon any relevant issues not considered, or not considered sufficiently, that result in a “No” response. (31) _____

3. Capitalization. Reviewer should determine if Lender adequately analyzed capitalization factors such as adequacy of existing capitalization for project and/or business operations, comparison to RMA or internal procedures & comments if below standards, identification of any initial or additional borrower’s injection, identification of source of injection, documentation of adequacy of that injection, discussion of sources and uses of funds, discussion of any required stand-by injection circumstances, or other considerations, to reach a sufficient conclusion. (p 346) **Comment** upon any issues not considered, or not considered sufficiently, that result in a “No” response. (32) _____

4. Management Ability. Reviewer should determine if Lender adequately assessed the management ability of the applicant(s), such as evidence that applicant is of good character, past management experience, past education of management, analysis of demonstrated owner management ability, or other considerations, to reach a sufficient conclusion regarding management ability. (p 81 & 346-347). **Comment** upon any relevant issues not considered, or not considered sufficiently, that result in a “No” response. (33) _____

5. Collateral Value. Reviewer should determine if Lender adequately analyzed collateral issues, such as identification of all available collateral, determination of liquidation value, whether method of determining collateral value is acceptable, and a determination of adequacy of collateral. (p 89-90 & 348).

(34) _____

Item	Market Value		Percentages		Prior Liens		Liquidation Value	
	Per CM	Adj Val	Per CM	Adj Val	Per CM	Adj Val	Per CM	Adj Val
Commercial Real Estate								
Machinery & Equipment								
Furniture & Fixtures								
Accounts Receivable								
Inventory								
Vehicles								
Investment Real Estate								
Personal Residence								
Other								
TOTAL								
ADJUSTED TOTAL								
Loan Amount								
Fully Secured (Shortfall) Per CM								
Fully Secured (Shortfall) Adjusted								

6. Collateral Required. **If loan was not fully secured**, list below all available collateral that was not taken.(p 89-91).

(35)

Item	Cost, Appraised or Book Value	Market Value	Percentages	Prior Lien	Liquidation Value

7. Credit History. Reviewer should determine if Lender adequately analyzed credit history of borrower by discussing Lender experience with borrower, discussing past satisfactory Lender experience, determining whether Lender obtained credit history from outside credit sources, determining that outside credit history is satisfactory, determining that any adverse information is not lethal to repayment, or confirming that tax verification process has been completed as appropriate, so as to reach a sufficient conclusion regarding credit history of borrower. (p 348). **Comment** upon any relevant issues not considered, or not considered sufficiently, that result in a “No” response. (36) _____

8. Is the information provided on the Lender’s Application, as submitted to the processing center, consistent with the information contained in the loan application file (p 343)? (37) Yes No

PLP CHECKLIST FOR REVIEW OF LOAN AUTHORIZATION

1. The loan authorization has been constructed properly, including particularly the following elements:

(38) _____

- _____ Name and address of lender are correct (p 348).
- _____ Name and address of local SBA office are correct (p 348).
- _____ Date of approval matches the PLP center approval date.
- _____ Amount of loan matches the Forms 4 and 4-I request and credit analysis (p349).
- _____ Percentage of guarantee is consistent with loan approval (p 349).
- _____ First and last disbursement deadlines are stated and within SBA guidelines (p 213 & 349).
- _____ Repayment terms are consistent with credit approval (p 203-205 & 349).
- _____ For loans with maturity of 15 years or more, prepayment payment penalty is included (procedural notice 500-703).
- _____ SBA standard repayment language used correctly (p 349).
- _____ Use of proceeds agrees with Form 4, credit memo and other credit references (p 349).
- _____ Any proceeds used for debt repayment are identified by creditor and amount (if in excess of \$10,000) (p 349).
- _____ All collateral is clearly identified and matches credit memo (p 349).
- _____ All requirements for perfection of collateral liens are included (p 349).
- _____ Appropriate appraisal requirements have been stipulated (p 99-104 & 349).
- _____ Any stand by agreements required in the credit memo are included (p 349).
- _____ For eligible passive company situations, all appropriate requirements have been included (p 45-47 & 349).
- _____ Financial statements are required at least annually (p 349).
- _____ Hazard insurance is required on all pledged assets and contains appropriate loss payee or mortgagee clauses (p 105 & 349).
- _____ Current SBA flood insurance requirements are specified (p 106-107, 129 & 349).
- _____ All appropriate environmental conditions are required (p 128 & 349).
- _____ Any SBA-specific policy requirement clauses are included (such as Buy American, child support, etc.) (p 129 & 350).
- _____ Franchise-related requirements are in evidence, if applicable (p 112-113).
- _____ Requirement that "Lender verify that no adverse change has occurred prior to disbursement" (p 350)
- _____ If applicable, personal guaranties have been required according to SBA policy and/or the authorization (p 98-99).
- _____ If loan involved any construction, all construction conditions are included in the authorization (p 110-111, 133 & p 191-192).

2. Lender has properly executed the authorization (p 350). (39) _____
3. Lender has used appropriate version of National Authorization. (40) _____
4. Borrower's identification and legal name consistent with the prepared authorization and lender's documents. Of particular note are: (41) _____
- _____ Name of borrower is correct (p 348).
- _____ Name is consistent with application documents (p 348).
- _____ Trade or fictitious name is identified and correct (p 348).

PLP CHECKLIST FOR REVIEWING CLOSING
--

If the closing date is > 1 year, complete only the items with an ← in the closing section, otherwise complete all items.

Closing Date

- | | | |
|--|------------|---|
| | _____ | |
| 1. Lender has properly executed the authorization (p 350). | (39) _____ | |
| 2. If applicable, personal guaranties have been obtained (p 98). | (42) _____ | ← |
| 3. If required, lender has verified the borrower injection prior to disbursement. (Examples include copies of checks, evidence of business account deposit, HUD-1, attorney certification, paid invoices, etc.) | (43) _____ | |
| 4. If loan involved any construction, all construction conditions have been met (p 110-111, 133 & p 191-192). | (44) _____ | |
| 5. Lender has constructed terms of the note consistent with the authorization. | (45) _____ | ← |
| 6. Note has been properly executed. | (46) _____ | ← |
| 7. Lien instruments have proper signatures. | (47) _____ | ← |
| 8. Real estate collateral is perfected in appropriate lien position (Liens must be taken for the “Full” amount of the loan) (p 95). | (48) _____ | ← |
| 9. Chattel property collateral is perfected in appropriate lien position. (Post-Closing Lien Search is not mandatory but Pre-Closing Lien Search has been performed within 30 days prior to filing.) | (49) _____ | ← |
| 10. For property taken as collateral, lender obtained an itemized list containing serial # and identification numbers for all articles that had original value > \$500. | (50) _____ | |
| 11. Any required appraisals and environmental assessments on primary collateral (p 118) have been obtained and meet conditions outlined in authorization and/or credit memo (For Primary Real Estate Collateral > \$100,000, before disbursement, the appraisal must be at least 90% of the estimated value or if not, written justification to SBA (p 104). | (51) _____ | |

12. All required insurance has been obtained as specified in authorization, including. (52) _____

_____ Hazard insurance in place.

_____ Life insurance in place if required and assigned to lender, with acknowledgement.

_____ Flood insurance determination made via FEMA Form 81-93, and flood insurance obtained when necessary (p 106-107 & 129). Sub A

_____ Any other insurance, if required by lender (i.e.; professional liability, etc.).

13. If IRS tax transcript(s) are necessary, (53) _____

_____ Lender has followed SBA policy to obtain IRS tax transcript(s) when applicable, and

_____ IRS tax transcript(s) and borrower's or seller's tax return or financial statements have been compared to verify that no substantial discrepancies exist.

14. Any applicable SBA Form 159(s) "Compensation Agreement for Services in Connection with Application and Loan From (or in Participation with) Small Business Administration" is in-file, complete, signed and dated (p 174 & 222). (54) _____

15. Evidence that the loan proceeds were used for eligible business related purposes (i.e., SBA Form 1050 disbursements). (55) _____

16. Lender can provide evidence the following guaranty fee parameters have been met: (56) _____

_____ Correct amount of guaranty fee was paid (For loans < or = \$150,000 lender may retain 25% fee (procedural notice 5000-703)).

_____ Guaranty fee paid within 90 days of loan approval (p215).

_____ Guaranty fee paid by lender prior to reimbursement by borrower (p 218).

_____ The amount initially disbursed is substantially more than that needed to cover the guaranty fee (If initial disbursement includes guaranty fee reimbursement, then total disbursement must be >2x guaranty fee.) (p 173).

17. Any required stand-by agreements have been obtained and properly executed. (57) _____ ←

PLP CHECKLIST FOR REVIEWING SERVICING & LIQUIDATION

1. All insurance requirements are maintained and up-to-date (SOP 50-51(2) 8-13 & SOP 50-50 (4) 5-23) (SOP 50-51(2) Chap 8, Sec 16 & SOP 50-50 (4) Chap 5, Sec 24). (Force-placed insurance is not required, Self-insurance is not acceptable, & Lender has notified borrower of lapse and requested coverage.) (58) _____

2. Lender has obtained financial statements not less than annually, or in accordance with loan authorization specifications or modified requirements in accordance with SBA policies (SOP 50-50 (4) 4-14, 5-31 & 5-32) (SOP 50-50 (4) Chap 4, Sec 13c, & Chap 5, Sec 24). (59) _____

3. All unilateral servicing actions accomplished are documented, and within the scope of the lender's unilateral authority (SOP 50-50 (4) 4-12, 4-13 to 4-19) (Chap 4, Sec 12 & 13 a-m), such as: (60) _____
 - ✓ Correcting obvious typographical errors,
 - ✓ Providing pay off figures, interest/principal deferment,
 - ✓ Substitute collateral,
 - ✓ Subordinate to non-participant senior lien,
 - ✓ Changes to life insurance or hazard insurance requirements, adjustments to the installment amount,
 - ✓ Make loans to borrower which do not affect the collateral, assumptions when borrower changes its form or organization, adjustments to management covenants,
 - ✓ Accept prepayments, or
 - ✓ Any other action that assists the small business in solving a problem or in its ability to repay the loan, that will not adversely affect the interest of the lender/SBA and are in compliance with all applicable laws and regulations.

4. Lender has prior written SBA approval for the following **servicing** actions: (61) _____
 - _____ Any action that would create a conflict of interest or confer any preference on the lender in collection or lien position with respect to SBA's position or the shared SBA/lender position on the guaranteed loan (p 351, SOP 50-50 (4) 6-3 & 6-4 & SOP 50-51(2) 10-10).
 - _____ Accept a compromise settlement for less than the full amount due of the principal loan balance (p 351, SOP 50-50 (4) 6-3 & 6-4 & SOP 50-51(2) 10-10).
 - _____ Sell or pledge more than 90 percent of the loan (p 351, SOP 50-50 (4) 6-3 & SOP 50-51(2) 10-10).
 - _____ Acquire environmentally impaired property (p 351, SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-10 & 10-11).
 - _____ Transfer of the loan to another lender (SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-11)

5. Lender has provided notice to SBA for any of the following actions (SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-11): (62) _____
- _____ Cancellation of any/all of the principal amount of loan.
 - _____ Change of borrower's name.
 - _____ Change in the interest rate on a fixed rate loan or the interest rate spread on a variable rate loan.
 - _____ Change in the loan maturity (SOP 50-51(2) 10-11).
 - _____ Any classification of the loan into 'liquidation' (SOP 50-51(2) 10-11).
6. Lender has a written liquidation plan that includes (SOP 50-51(2) 10-13 & SOP 50-51(2) Appendix 15 & 16) (Chap 10, Sec 5f, Chap 8, Sec 11b): (63) _____
- _____ Justification for transfer to liquidation status (SOP 50-51(2) Appendix A15-I, Sec 1).
 - _____ Cause of business breakdown & workout attempts (A15-I, Sec 2).
 - _____ Description of any "non-SBA" loans (A15-I, Sec 3).
 - _____ Listing of all obligors and guarantors (A15-I, Sec 4).
 - _____ Estimated fees to be incurred in liquidation (A15-I, Sec 5).
 - _____ General Recovery Plan (proposed process and estimated time, collateral disposition actions, environmental concerns, hazard insurance needed or in effect, significant items of missing collateral) (A15-I, Sec 6).
 - _____ Estimate of total recovery (A15-I, Sec 7).
 - _____ Estimated "care and preservation of collateral" expenses (A15-I, Sec 7).
 - _____ Loan Underwriting Criteria - Risk Management Database form included in documentation (SOP 50-51(2) Appendix A16-I).
7. Lender has received pre-approval of any litigation legal fees exceeding \$5,000 (SOP 50-50 (4) 4-12, SOP 50-51(2) 10-13 & litigation sop for \$5,000) (Chap 4, Sec 11b, Chap 10 Sec 5f, & Chap 8 Sec 22b). (64) _____
8. If loan was purchased, lender has charged liquidation fees that are reasonable and customary for local practices (SOP 50-51(2) 10-15) (Chap 10, Sec 5j & k). (65) _____
9. Lender has submitted in timely fashion any status reports requested by SBA or quarterly status reports for loans > \$50,000 beginning at the time of purchase and for acquired assets beginning 6 months after acquisition (SOP 50-51(2) 10-18) (Chap 10, Sec 5l). (66) _____

10. For acquisition of collateral, evidence that alternatives were explored prior to acquisition (SOP 50-51(2) 8-1) (Chap 8, Sec 1a). (67) _____
11. Lender used current appraisal(s) (no older than one year) to evaluate collateral prior to any recovery action (SOP 50-51(2) 8-7) (Chap 8, Sec 8e). (68) _____
12. For loans supported by Real Estate, evidence that Lender obtained environmental review via a Questionnaire or if applicable, Phase I (SOP 50-51(2) 8-7) (Chap 8, Sec 8f). (69) _____
13. There is evidence of reasonable workout attempts prior to and after the commencement of liquidation (SOP 50-51(2) 8-7, 10-14) (Chap 8, Sec 8g & Chap 10, Sec 5g). (70) _____
14. Evidence that recovery was pursued from all guarantors/obligors. (71) _____
15. If liquidation is complete, the Wrap-Up Report has been completed and submitted to SBA when lender has determined the loan will not be fully repaid after all worthwhile collateral has been liquidated and no further recoveries are anticipated within a reasonable time (SOP 50-51(2) 10-18 & 10-19) (Chap 10, Sec 5n). (72) _____
16. Lender has prior written SBA approval for the following **liquidation** actions: (73) _____
- _____ Any action that would create a conflict of interest or confer any preference on the lender in collection or lien position with respect to SBA's position or the shared SBA/lender position on the guaranteed loan (p 351, SOP 50-50 (4) 6-3 & 6-4 & SOP 50-51(2) 10-10).
- _____ Accept a compromise settlement for less than the full amount due of the principal loan balance (p 351, SOP 50-50 (4) 6-3 & 6-4 & SOP 50-51(2) 10-10).
- _____ Sell or pledge more than 90 percent of the loan (p 351, SOP 50-50 (4) 6-3 & SOP 50-51(2) 10-10).
- _____ Acquire environmentally impaired property (p 351, SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-10 & 10-11) (Chap 10, Sec 5b).
- _____ Transfer of the loan to another lender (SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-11)
- _____ Title property in the name of the Agency (SOP 50-51(2) 10-10).

17. Evidence that appropriate site visit(s) has been made (SOP 50-51(2) 8-14, 10-12 & 10-13) (Chap8, Sec 8a & b and Chap 10, Sec 5e) (74) _____
- ✓ within 15 days after lender is aware of any event which causes the loan to be placed into liquidation or
 - ✓ within 60 days of unremedied default in payment, or
 - ✓ asap if assets are of significant value and could be removed or depleted or
 - ✓ if site visit waived, documentation is in file.
18. Lender has forwarded all recoveries on purchased loans within 15 days of receipt (SOP 50-51(2) 8-17, 8-18, 10-15 & 10-16) (Chap 8, Sec 24 & Chap 10, Sec 5j). (75) _____

COMMENTS:

Miscellaneous Document List (Optional)

Borrower Name: _____

Instructions: Reviewer may use this checklist to track other important loan documents that are in the credit file. This will eliminate the need to tag documents that will not have to be referenced in the future. Tag all documents where deficiencies or exceptions are noted.

- _____ 4506 Request (Verifications: _____)
- _____ Appraisal (Property/Amts: _____)
- _____ Assignment of Leases Rents
- _____ Assignment of Life Ins. (Name/Amt _____)
- _____ Attorney's Lien Certification
- _____ Borrower's Certification/Affidavit (_____)
- _____ Borrowing Resolution (Form 160)
- _____ Business Insurance
- _____ Business License/Permit
- _____ Certificate of Good Standing
- _____ Certificate of Incorporation
- _____ Certificate of Occupancy
- _____ Certificate of Partnership
- _____ Collateral Pledge Agreement
- _____ Construction (Form 601 _____/Plans _____/Contract _____/Inspections _____/Retainage _____)
- _____ Construction (Lien Waivers _____/Builders Risk _____/Work Comp _____/NEHRP _____)
- _____ Construction (Performance Bond _____/Payment Bond _____/Bldg. Permit _____)
- _____ Credit Report (Business: _____ Principal: _____)
- _____ Environmental Questionnaire
- _____ Equipment List
- _____ Evidence of Cash Injection (Amt: _____)
- _____ Fictitious Name Registration
- _____ Flood Insurance
- _____ Flood Insurance Determination (Y / N)
- _____ Franchise Eligibility Determination (SBA / In-house)
- _____ FTC disclosure cover sheet (Franchise)
- _____ Guaranty Agreement (Collateral Listed Y / N)
- _____ Hazard Insurance _____)
- _____ HUD-1 (Cash due from borrower: _____)
- _____ Landlord Waiver
- _____ Lease Agreement (Term _____/Amt. _____/Subordinated Y / N)
- _____ Life Insurance (Name/Amt. _____)
- _____ Mortgage or DoT / Rec'd _____)
- _____ Note
- _____ Partnership Agreement
- _____ Phase I
- _____ Phase II
- _____ Sales Contract (Amount _____)
- _____ Security Agreement
- _____ Settlement Sheet (SBA Form 1050)
- _____ Standby Agmt. (Name/Amt: _____)
- _____ Subordination Agreement (Name/Amt: _____)
- _____ Tax Id Number
- _____ Title Policy / Date _____)
- _____ UCC-1 / _____)State/ _____)County _____)
- _____ UCC :Lien Search/ _____)

