

Information on Guaranty Purchase Repairs and Denials

- **Lien and Collateral Issues that Result in Missed Recoveries (Generally a Repair)**
 - Failure to obtain required lien position
 - Failure to properly perfect security interest
 - Failure to fully collateralize loan at origination when additional collateral was available (in rare cases)
- **Unauthorized Use of Proceeds**
 - 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)
- **Liquidation Deficiencies (Generally a Repair unless harm is the full value of the outstanding balance)**
 - Failure to conduct Site Visit which resulted in missed recoveries
 - Improper safeguarding or disposition of collateral which resulted in missed recoveries
 - Misapplication of recoveries to lender's loan when SBA-guaranteed loan has lien priority
- **Undocumented Servicing Actions (Generally a Repair)**
 - Liens not properly renewed during servicing on worthwhile collateral
 - Release or subordination of collateral without documented business justification
 - Allowing hazard insurance to lapse on major collateral and collateral was subsequently destroyed
 - Failure to maintain life insurance on principal and principal subsequently dies
- **Early Defaults (Denial if determined to be reason for business failure)**
 - Missing or unsupported verification of required equity injection (includes verification of source in some cases)
 - Missing or unsupported documentation of verification of borrower financial information with IRS when financial information was relied on in lender's credit analysis
 - Repayment analysis is not adequately justified.
 - Lack of Business Valuation (business purchase) or asset appraisal (asset purchase).
- **SBA Loan Eligibility (Denial)**
 - Ineligible franchise
 - Ineligible loan purpose
 - Ineligible loan recipient (loan to an associate of lender)