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Consultants to the Business Lending Community
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Business Lending News

SERVICING SBA LOANS: PLAY IT SAFE. PLAY DOMINOS!

You know about playing dominos: Connect the dots and create a number trail that goes on and on. The Domino Effect. Just as with dominos, whenever there's a change in the status of an SBA loan, one service action doesn't stop there. It can - and usually does - trigger a range of necessary actions. And if they're not handled properly, you could see a serious impact on the guaranty.

Let's take annual insurance renewal as an example. As consultants, we've seen situations where lenders reviewed insurance policy coverages and endorsements - and missed listed address changes and/or secondary locations. With address changes like these, you need to do more than enter the Borrower Address Change into your system. More is needed. There's a Domino Effect: One action connects to another, and another.

Some immediate actions you'll need to take:

- Contact the borrower and ask whether they've moved or opened a secondary location
- Recommend a memo to the file addressing the change and discussing the move/second location, including why and how it affects the borrower
- Report the change to the SBA thru ETran
- Pull the Flood Certification on the new location(s)
- Obtain a copy of the new Lease(s)
- Obtain a Landlord's waiver from the new Landlord(s)
- Perform a site inspection
- Do a collateral review comparing the Fixed Asset list at loan origination to the collateral currently on site to make sure it's intact
- Review your UCC Filing to make sure it contains the language "wherever located." If it doesn't, then more action is needed. You'll need an amended UCC filing which includes the address changes and/or new location(s)

Due diligence: it's important. In fact, it could be critical. The Domino Effect: As a lender, if you don't obtain the correct documentation to protect your and the SBA's collateral position, you'll likely see a repair or denial of the guaranty.

So play it safe. Play dominos. Take all the necessary actions whenever there's a change in the status of a loan. We cover these situations and others in our Training Session on SBA Loan Servicing - just part of our comprehensive training service. In addition to options for one-day and multi-day sessions for groups and individuals, we offer ongoing training reviews, refreshers, and updates to keep you up to date on best practices and regulatory changes. We'll be there as long as you need us!

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