

### Underwriting SBA Loans: Consider All Available Collateral

While a borrower's cash flow is the primary basis for the SBA approving a loan, the SBA requires lenders to document all available collateral up to the full value of the loan to fully secure the loan. Documenting all business and personal collateral are key elements in establishing credit worthiness on the credit memorandum - and critical if the loan defaults and goes into liquidation.

In fact, in the Collateral Section of SOP 50 10 5 (D) the SBA makes it clear: All available collateral must be identified in the credit memo. No exceptions.

In this economy, many businesses and principals have seen reduction in value of their personal assets, so how you as a lender shore up the collateral side of things? As consultants, we're seeing the SBA looking to stocks and bonds, cash value life insurance and rolling stock to improve the collateral position of the credit. *We're also finding that stocks and bonds are the most overlooked personal assets on credit memos. As a CLP/PLP Lender, you must consider these items when underwriting your credits.*

From the SOP, here's a quick recap of some personal items to include as collateral on credit memos. See the entire Collateral Section, pgs. 184-195 for full details.

#### Personal Residence as Collateral:

- The SBA doesn't require a house to be considered collateral to meet the "fully secured" definition when the equity is less than 25% of fair market value.

Other Personally-Held Assets that may be pledged to meet the SBA's collateral requirements:

- Publicly traded stocks
- Bonds
- Mutual funds
- Certificates of deposits
- Investment property not included in a retirement account

At J.R. Bruno & Associates, we've seen hundreds of SBA loans through underwriting and funding and have stepped in when necessary on liquidations. I'm proud that I've worked with our experienced JRB Consulting Team for a cumulative 50 years! Our clients know Senior Associate Brad Crosley as an "underwriting guru." JRB Associate Rebecca Mendoza is experienced in all phases of SBA and business lending with special experience in liquidations - especially at avoiding them before they happen. We can help underwrite your credit memos and pre-screen and evaluate collateral to ensure your loans meet all SBA requirements.

Contact JRB at [www.jrbrunoassoc.com](http://www.jrbrunoassoc.com). Or call me directly at 415.362.1200. I look forward to speaking with you!

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