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Consultants to the Business Lending Community
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Business Lending News

SBA'S PARRIS TARGETED REVIEWS ...

NO FLAGS IN YOUR PORTFOLIO: THINK YOU'RE SAFE? THINK AGAIN!

Get ready. An SBA Targeted PARRiS Risk-Based Review could be coming your way. A PARRiS Analytical Review (PAR) Notification Letter from the Office of Credit Risk Management (OCRM) will make it a sure thing. As we know, PAR Notifications may or may not be triggered by red flags in a portfolio. SBA could be taking the initiative to analyze trends, manage credit risk and monitor lender performance as a way to plan for greater process efficiency.

We also know that SBA has a set number of reviews planned for 2017. To meet that goal, they can't afford delayed reviews. When you get that PAR letter, it'll be too late to clear up any issues in your portfolio. So be ready. We've said it many times: Document, Document, Document. We've heard at OCRM presentations - and from recent client experience - documentation is the primary focus of these reviews. Documentation has never been more important than when you're facing a PARRiS Targeted review. Here are some common issues from recent findings:

- Form 1502 not submitted timely to Colson
- The Debt Service Coverage Ratio (DSCR) doesn't meet the SOP requirements, i.e., the DSCR must be 1.15 to 1.00 or greater on a historical and/or projected basis
- Lender Service Provider agreements have not been SBA reviewed and approved
- Injections not properly documented and sourced
- Eligibility for criteria including Credit Elsewhere, Size Standard, and Debt Re-fi Requirements aren't met or not documented clearly
- Closing items such as Leases, Standby Notes and Insurance not properly documented according to SBA requirements
- Credit Memos not in line with SBA Authorization or the documentation in the file
- Recoveries not shared in a timely manner
- The portfolio has outstanding liquidations more than 3 years old

PARRiS Targeted Reviews: What are you facing? Here's a speedy Q&A:

Q: What does SBA look at in a Targeted Review?

A: A whopping amount of information. Targeted reviews encompass an analytic review of all your policies and procedures as well as file reviews of a number of your loans.

Q: What documentation is required?

A: Targeted reviews require an upload of loan documentation from Eligibility, Underwriting, Closing, Servicing and Secondary Market. This includes all loans, whether already processed, delegated or non-delegated.

Q: Are there deadlines?

A: SBA will provide deadlines for your responses at all stages of the Review. A deadline of 10 business days is generally given for uploading information - then you'll have 24 hours to respond to exceptions.

Whether you're a delegated (PLP) lender or non-delegated (GP) lender, the standards are the same for everyone. So document those files, have procedures that ensure the documentation is collected and analyzed, and format your files so responding to SBA requests will be quick and straightforward. Along the way, you'll be wise to monitor your PARRiS performance through SBAOne. It will make the review process easier on everyone.

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