



SBA Loan Reviews. An Ongoing Process.

With the SBA stepping up its review activity, the quality of your files and how complete they are is critical. It doesn't work to simply close loans and put them on the shelf. Ongoing servicing of the loan and file maintenance are the critical pieces. Preparing for an SBA review begins long before the review is scheduled. Avoid the need to take actions immediately before an SBA review.

A few tips:

- Have current written policies and procedures for SBA loans and internal controls clearly addressing the SBA's requirements. These don't need to be complex procedures as long as your Loan Program Requirements recognize the SBA's requirements.
- Fully document the actions taken for individual loans on an ongoing basis.
- Check every loan against the *7(a) Risk Based Lender Review File Checklist* in the OCRM section of the SBA website www.sba.gov/olo. The link is under "Resources." Click on "7(a) Review Guidelines." The SBA uses this Checklist. So be proactive: Use it yourself. Mark each required item "In File" or "Missing." Then obtain the "Missing" items for your files.
- Make sure your lending staff is fully trained and regularly updated on SBA requirements and procedures.
- Conduct consistent ongoing, proactive portfolio management. The SBA's online Lender/Loan Management System provides the data needed to maintain proactive awareness of your portfolio's performance.
- From our perspective as consultants, we find most issues lenders face at liquidation could have been avoided with early and ongoing portfolio reviews. Here are JRB's Top 3 "must-have" items. Without them, there could be monetary impact on the guaranty:
 1. Collateral issues resulting in missed recovery, e.g., improper lien positions
 2. Evidence of injection
 3. Evidence of use of proceeds

We've also found that many high volume lenders have followed procedures but allowed details to get away from them, often putting their PLP status at risk. And brand new lenders often aren't properly trained and come up against it when the SBA reviews their portfolios. Outsourcing your loan reviews can help. When considering an outsourced loan reviewer, remember that Conventional Loan Reviewers generally review only for Safety and Soundness. Lender Service Providers review for Safety, Soundness and adherence to SBA's SOP's. With a Conventional Loan Review, it's possible to miss a vital SOP issue, which could lead to a repair or denial of the SBA Guaranty. Missing an opportunity to correct an item could be costly.

At J.R. Bruno we are an SBA Approved Lender Service Provider with decades of SBA experience. We have the expertise to conduct early portfolio reviews, advise and educate your staff - and protect your SBA portfolio. Contact us!

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