

MID AMERICA LENDERS CONFERENCE

TOP 10 SCREEN OUTS

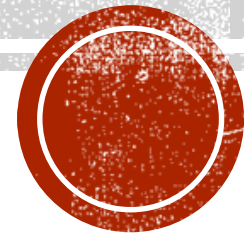
Presenters:

John Gossett

Gary Griffin

U.S. Small Business Administration

T Bank



SUMMARY

1. We will list these for you
2. Read the SOP
3. Pay attention to detail
4. Spend the time!



AND #1 IS.....

Your are correct!!! It's credit elsewhere being specifically addressed in the credit memo! 7% of all applications forwarded to the center fail to address (or adequately address) the inability (or ability) of the applicant to receive conventional financing.

- 1) Put 2 different places.
- 2) **Bold heading!**
- 3) Address spouse and minor children (and affiliates, if necessary).



#2!!!

Coming in at a close second (5.3%), failure to include the 1919, or if it is included, it is not submitted in its entirety and all the questions are not answered.

- 1) Show 100% Ownership (attach schedules if necessary)
- 2) Guarantors (exclude limited spousal guarantees)
- 3) Previous government financing (all details)
- 4) 912 issues.



#3... (AT 4.1%)

Credit memo incomplete:

- 1) Old “J” pages 171-175; make your own checklist!
- 2) Remember #1!
- 3) Take your existing credit memo format and add those items in an addendum which are not included in your standard format
 - 1) Credit elsewhere
 - 2) Excess liquidity
 - 3) Covenants (just kidding!!!)



MOST COMMON ISSUES

- **Missing/Incomplete Credit Memo**
 - Lender failed to address Life Insurance
 - Lender failed to Certify verification of financials against IRS Transcripts
 - Schedule of Collateral Missing or Incomplete
 - Draft Authorization conflicts with Credit Memo
 - Use of Proceeds Unclear
 - Notes to be refinanced not clearly identified
 - Justification for refinance not properly addressed
 - Need for Working Capital not addressed
 - Derogatory credit not addressed
 - Collateral Shortfall not addressed
 - Justification for Projections



#4.....(AT 3.7%)

Collateral Shortfall:

This specifically relates to the requirement that the lender attach all personal real property if the loan is not “fully secured” by applicant’s real property and chattel based on SBA’s liquidation values. Of course, personal residences in Texas are excluded.

NOTE: Cannot circumvent with liquid collateral as of now.



#5... (AT 3.6%)

Yes folks it's the famous SBA form 1920!

Don't really know what to say here. This is about as basic as it comes and its just a matter of taking your time and reading the form. Be detail oriented and review your work!



#6 (AND ITS ALL ABOUT THE AFFILIATES)

What is an affiliate?

- Definitely 50% or more.
- We use 20% and determine if our guarantor/applicant has any control or financial liability associated with the “affiliate”.
- ALWAYS scour the 1040 of your principals.
- (BTW 3.5%)



#7...INTERIM FINANCIALS (3.4%)

- 1) Stale dated
- 2) Transfer issues.....
- 3) Don't argue (with SBA)!!!



#8...ITS IN MY NOTES....(3.0%)

If you are refinancing debt, you *ALWAYS* have to have the notes being financed.

- 1) Include settlement sheet with detailed UOP if not stated in notes.
- 2) Ask questions so you *KNOW* what you are refinancing.
- 3) Include any extensions or forbearance agreements
- 4) Ability to sustain loss....



#9...AT 2.6% ITS HISTORICAL FINANCIAL STATEMENTS

- 1) We use tax returns
- 2) Look to see when business began (on tax return) to make sure you have the 3 years.
- 3) User error....(just saying...)



AND #10!!! PURCHASE AGREEMENTS

- An executed purchase agreement (can be subject to financing) is necessary for SBA to determine that the use of proceeds is eligible
 - Sub debt
 - Timing
 - Continued employment
 - What are they getting?

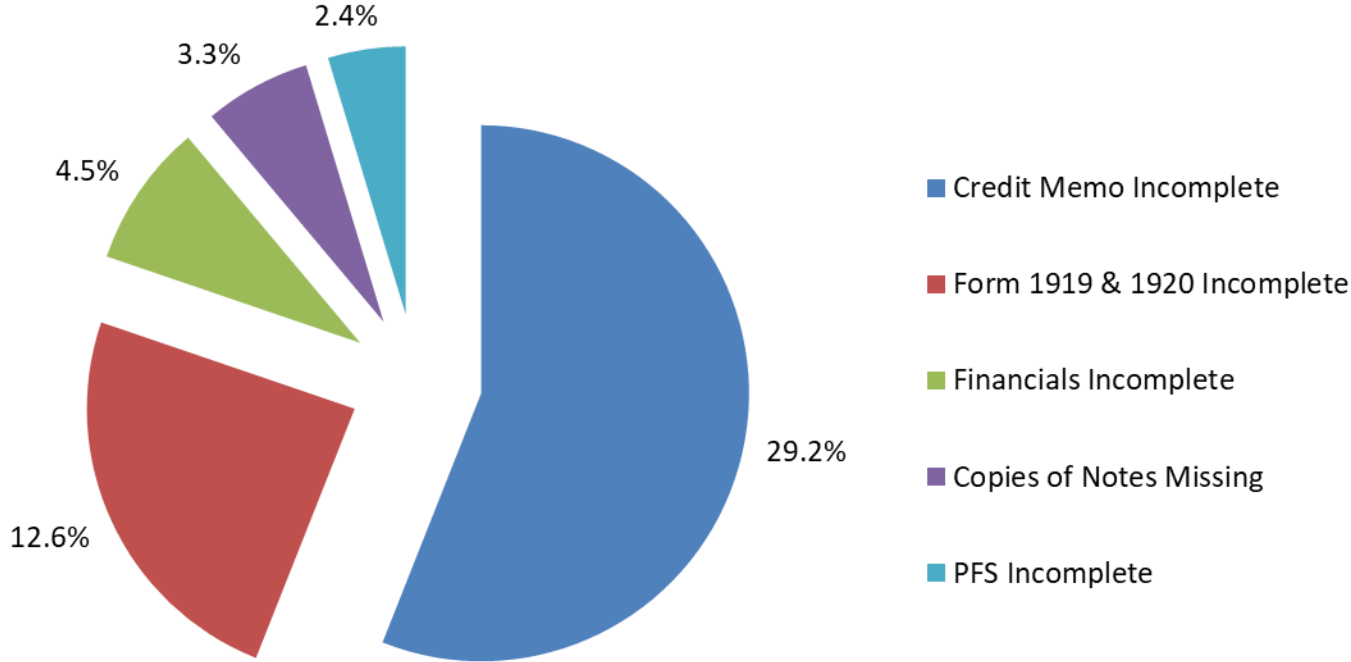


ROUNDING OUR THE TOP 100!

Pro-forma Balance Sheet Missing	2.5%
Personal Financial Statement Incomplete	2.5%
2 year Projected Income Statements needed	2.3%
Derogatory Credit - Explanation Needed	2.1%
Life Insurance Not Addressed	2.1%
Seller Financials Incomplete	2.1%
Benefit to Business Not Stated	1.8%
Independent Business Valuation Missing	1.8%
Month-to-Month Projections Needed	1.7%
Working Capital Request –Justification Needed	1.7%
Personal Financial Statement Missing	1.6%
Seller Financials Needed	1.5%
Justification For Projections	1.3%



SCREEN OUTS (FROM 3 YEARS AGO)



THANK YOU! FEEL FREE TO CALL!!!

John Gossett

U.S. Small Business Administration

800-347-0922 Ext. 2838

Gary Griffin

T Bank

423-593-0976

