



Presented by:
Jessica Conn, Esq.

Top 5 Closing Errors That Can Cost You Your Guaranty

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Instructor



Jessica Conn

Associate, Starfield & Smith, PC

Jessica Conn's areas of practice focus on government guaranteed lending, commercial lending, banking, real estate and commercial law.

Starfield & Smith, P.C. is a boutique law firm specializing in all aspects of SBA-guaranteed lending, from origination through liquidation, for lenders nationwide. Starfield & Smith closes between \$130 and \$150 million of SBA guaranteed loans for its lender clients every quarter. For more information about Starfield & Smith, visit www.starfieldsmith.com .

Top Reasons for Repairs and Denials

- **Lien and Collateral Issues that Result in Missed Recoveries**
 - Failure to obtain required lien position
 - Failure to properly perfect security interest
 - Generally a repair



Top Reasons for Repairs and Denials

□ Unauthorized Use of Proceeds

- Proceeds disbursed for purpose(s) inconsistent with the loan authorization or subsequent modifications without a business justification.
- Often a repair, but could be a denial if early default and improper use of proceeds caused the failure of the business)



Top Reasons for Repairs and Denials

□ Equity Injection

- Missing or unsupported verification of required equity injection (includes verification of source in some cases)
- Denial in early default



Top Reasons for Repairs and Denials

□ Verification of Financial Information

- Missing or unsupported documentation of verification of borrower financial information with IRS when financial information was relied on in lender's credit analysis
- Denial in early default



Top Reasons for Repairs and Denials

□ Improper PLP processing

- Refinancing same institution debt (any context);
- Refinancing loans used to finance a change of ownership within 6 months of the change of ownership;
- Refinancing a 504 loan with a 7a loan;
- Financing a change of ownership with intangibles in excess of \$500,000 without at least 25% equity;
- Financing the purchase of lender's own Other Real Estate Owned; and
- International Trade loans where the lender is not obtaining a first lien on the assets being financed.

*** The items above are closing issues. Don't forget other Form 1920 eligibility questions.

Thanks!

Jessica Conn, Esq.
jconn@starfieldsmith.com

**STARFIELD
SMITH, PC**

ATTORNEYS AT LAW



1300 Virginia Drive
Suite 325
Ft. Washington, PA 19034
P: 215-542-7070
F: 215-534-9023

2600 Maitland Center
Parkway, Suite 330
Maitland, FL 32751
P: (407) 667-8811
F: (407) 667-0020

www.starfieldsmith.com