

**7(a) Risk Based Lender Review  
Work Paper  
7 (a) File Review**

Loan Name	_____	Approved Amount	\$ _____
SBA Loan Number	_____	Current Balance	\$ _____
Lender Name	_____	Funding Date	_____
Approval Date	_____	Guaranty Fee Paid Date	_____
Guaranty Fee Due Date	_____	Review Date	_____
Reviewer Name	_____		

**Check any of the following that apply to this loan**

<input type="checkbox"/> Current	<input type="checkbox"/> Past Due/Delinquent	<input type="checkbox"/> Liquidation	<input type="checkbox"/> Rental Property
<input type="checkbox"/> EPC/OC	<input type="checkbox"/> Franchise	<input type="checkbox"/> Debt Refinancing	<input type="checkbox"/> Change in Ownership

**Use of Proceeds**

_____ Inventory	_____ Working Capital	_____ Machinery/Equipment
_____ Furniture/Fixtures	_____ Purchase R/E	_____ Construct R/E
_____ Debt Refinancing	_____ Leasehold Improvements	_____ Other _____
_____ Other _____	_____ Other _____	_____ Other _____

1. SBA Form 912, "Statement of Personal History" obtained on each applicable loan participant, and all loan applicants and Associates are eligible and of good character. (13 CFR §§120.110(n), 150(a), 191)
 

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

  - ✓ Personal histories required from all principals; (13 CFR §§120.151(a), and 191; SOP 50 10 (4)e, Subpart A, Chapter 6, Paragraph 4.d.; or alternate SBA Form 1919 for SBAExpress/Community Express (SBAExpress/Community Express Program Guides) and
  - ✓ No Associate is incarcerated, on probation, or parole, or indicted for specified crime(s). (13 CFR §120.110(n); SOP 50 10 (4)e, Sub A, Chap 2, Para 8.n.)
  
2. Size determinations were correct and analyzed according to SBA policy. (13 CFR §120.100(d))
 

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

  - ✓ Business is small via size determination as of the date of the lender's approval of the loan and any possible affiliation has been identified (primary industry of SBC, NAICS code, size standard, annual receipts or employees of SBC, size conclusion); (SOP 50 10 (4)e, Sub A, Chap 2, Para 2.f.; Sub A, Chap 3) and
  - ✓ If there are any affiliates, determination that business and affiliate group meet SBA's size standards (primary industry of affiliate group, NAICS code and size standard for that industry, affiliate group's combined annual receipts or employees, size conclusion). (SOP 50 10 (4)e, Sub A, Chap 3, Para 3)
  
3. Written evidence that credit is not otherwise available on terms not considered unreasonable without guarantee provided by SBA. (13 CFR §120.101; SOP 50 10 (4)e, Sub A, Chap 2, Para 3)
 

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
  
4. Personal resources test was applied and enforced according to SBA policy. (13 CFR §120.102; SOP 50 10 (4)e, Sub A, Chap 2, Para 4)
 

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

 (Applies to gross liquid assets of each proprietor, general partner, limited partner owning 20% or more of business, each limited liability company owner, each stockholder with 20% or more ownership, and owner spouse(s)).

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5. Business is a for-profit, domestic operation. (13CFR §120.110(a); SOP 50 10 (4)e, Sub A, Chap 2, Para 2) Yes  No   
 ✓ The following businesses are **not eligible**, unless certain exceptions have been met: Non-Profit (13 CFR §120.110(a)); Engaged in lending (§120.110(b)); Passive holder of real and/or personal property (§120.110(c)); Life insurance company (§120.110(d)); Located in a foreign country (§120.110(e)); Pyramid sales distribution plan (§120.110(f)); Engaged in gambling (§120.110(g)); Illegal (§120.110(h)); Restricted membership (§120.110(i)); Government-owned (§120.110(j)); Engaged in promoting religion (§120.110(k)); Consumer or marketing cooperative (§120.110(l)); Engaged in loan packaging (§120.110(m)); Lender or CDC ownership (§120.110(o)); Sexually prurient in nature (§120.110(p)); With associate engaged in political or lobbying activities (§120.110(r)); or Speculative (§120.110(s)).
6. No prior loss to the Government from prior federal financial assistance demonstrated by loan applicant(s). (13 CFR §120.110(q); SOP 50 10 (4)e, Sub A, Chap 2, Sec 8.q.) Yes  No
7. All EPC/OC conditions have been met. (13 CFR §120.111; SOP 50 10 (4)e, Sub A, Chap 2, Para 9) Yes  No  N/A   
 ✓ Written lease plus options for term of loan, and subordinated to loan; (§§120.111(a)(3), 111(a)(4)  
 ✓ .Assignment of rents paid; (§120.111(a)(3))  
 ✓ OC is co-borrower or guarantor, and, if loan includes working capital, OC must be a co-borrower; (§120.111(a)(5))  
 ✓ Each 20% or more owner of EPC or OC is personal guarantor (trustee executes on behalf of trust); (§120.111(a)(6))  
 ✓ Lease payment is no greater than debt payment plus reasonable property maintenance; (§120.110(c) investment property prohibition)  
 ✓ 100% of space is leased by OC directly from EPC; (§120.110(c) and SOP 50 10 4e, Sub A, Chap 2, Para 9) and  
 ✓ If EPC is a trust, additional conditions have been met. (§120.111(b))
8. Proceeds fund sound business purposes. (13 CFR §120.130) Yes  No   
 ✓ Proceeds are **not eligible**:  
 • for payment or distribution to Associates (owner) of the applicant (business) (except for ordinary compensation for services rendered or interim loan financing);  
 • to refinance a Small Business Investment Company debt (13 CFR §120.130(a));  
 • for floor plan financing (13 CFR §120.130(c));  
 • to finance investments in real or personal property acquired and held primarily for sale, lease or investment except for EPC or 100% change of ownership stock purchase (13 CFR §120.130(d));  
 • for the benefit of anyone other than the applicant business (this provision restricts proceeds going to the business owner(s) §120.130(e));  
 • or to pay past-due Federal or state payroll taxes held in trust (13 CFR §120.160(d)).



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12. Loan is not a piggyback (more than one loan at or about the same time for the same purpose, with the SBA loan in junior lien position). (Policy Notices 5000-931 dated October 1, 2004; 5000-938 dated December 17, 2004) Yes  No  N/A
13. Franchise is eligible by SBA requirements (13 CFR §120.103(g); and SOP 50-10 (4)(e), Sub A, Chap 3, Para 3(e) and Chap 5, Para 6(f)) Yes  No  N/A
14. Principal(s) are eligible citizens or have eligible non-citizen status, exclusive of 912 issues already cited (13 CFR §120.110(e); SOP 50 10 (4)e, Sub A, Chap 2, Para 15.h.) Yes  No   
 Status is U.S. citizen, Naturalized Citizen, or one of the following:
- ✓ Legal Permanent Resident (LPR or immigrant, also known as Permanent Resident Alien) with current/valid INS documents in file for any alien who owns 20% or more of the business (primary document evidencing INS status is INS Form I-551); and evidence that lender has verified INS status of each alien with INS Form 845; (Para 15.h.(3) and (4))
  - ✓ Non-Immigrant Aliens, (persons admitted to the U.S. for a specific purpose & for temporary period of time) with current/valid INS documents in file permitting them to reside in the U.S. legally; evidence that lender has verified INS status of each alien; evidence that separate continual & consistent management (in addition to the owners) exists & will continue indefinitely (management must be U.S. citizenship or verified LPR status); management must have operated the business for at least one year prior to the application date; and pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan any time during its life; (Para 15.h.(6) and (7)) or
  - ✓ Foreign Nationals (non-citizens who reside outside the U.S.) or Foreign Entities (businesses, organizations, etc. based in another country) (p 70-3 & 70-5) that operates primarily within the U.S.; pays taxes to the U.S.; and uses American products, materials, and labor; evidence that separate continual & consistent management (in addition to the owners) exists & will continue indefinitely (management must be U.S. citizenship or verified LPR status); management must have operated the business for at least 1 year prior to the application date; and pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan any time during its life. Para 15.h.(5) and (7))
15. No actual or apparent conflicts of **borrower and/or lender** interest detected. (13 CFR §120.140) Yes  No

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- |  | Yes                      | No                       | N/A                      |
|--|--------------------------|--------------------------|--------------------------|
| 16. Loan meets <i>program-specific</i> eligibility requirements/restrictions for the delivery method under which loan was approved:  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> <b>PLP</b> If loan approved as Preferred Lender Program (PLP) delivery method: (13 CFR §120.450-455; SOP 50 10 (4)e; Sub D, Chap 3, Para 7.a.)  |                          |                          |                          |
| <ul style="list-style-type: none"> <li>• Applicant is not agricultural, farm, fishing, shore operations, medical facilities including residential care, mines, doing business in foreign countries, or teaching, instructing, counseling or indoctrinating religion or religious beliefs (SOP 50-10 (4)(e), Subpart D, Chap 3, Para 7.a.(3));</li> <li>• Applicant does not have any other outstanding SBA loans which are not current (SOP 50-10(4) (e), Subpart D, Chap 3, Para 7.a.(4)); and</li> <li>• Proceeds do not finance more than 90% of the actual cost of real estate acquired or new business capital needs (SOP 50-10 (4)(e), Subpart D, Chap 3, Para 7.a.(4)).</li> </ul>  |                          |                          |                          |
| <input type="checkbox"/> <b>SBAExpress</b> If loan approved as SBAExpress delivery method: (SBAExpress Program Guide, Para 5.)   |                          |                          |                          |
| <ul style="list-style-type: none"> <li>• Applicant is not agricultural, farm, fishing, shore operations, medical facilities including residential care, mines, doing business in foreign countries, teaching, instructing, counseling or indoctrinating religion or religious beliefs (Para 5.A.(2));</li> <li>• Any other outstanding SBA loans of applicant are current (Para 5.A.(5)(a));</li> <li>• Any same institution debt being refinanced has been current for at least the last 36 months (Para 5.A.(3));</li> <li>• Proceeds do not finance more than 90% of the actual cost of real estate acquired or new business capital needs; (Para 5.A.(5)) and</li> <li>• Proceeds do not guarantee or fund a letter of credit (Para 5.A.(5)(j)) (except under Export Express).</li> </ul>  |                          |                          |                          |
| <input type="checkbox"/> <b>Community Express</b> If loan approved as Community Express delivery method (Community Express Program Guide, Para 7 and 9):   |                          |                          |                          |
| <ul style="list-style-type: none"> <li>• Applicant is located in lender-designated geographic area, or otherwise meets eligibility demographic (e.g. woman, veteran, minority) as determined by applicable SBA Regional Administrator; (Para 6).</li> <li>• For loans approved before February 15, 2007: borrower <b>has received</b> pre- and post-closing technical and management assistance facilitated by lender; (Para 7)</li> <li>• For loans approved on or after February 15, 2007, Lender has management assessment, business plan and T/A plan in loan file (Policy Notice 5000-1013).</li> <li>• For loans approved on or after February 15, 2007, Lender has periodically assessed business status and T/A provided (Policy Notice 5000-1013).</li> <li>• Applicant is not agricultural, farm, fishing, shore operations, medical facilities including residential care, mines, doing business in foreign countries, teaching, instructing, counseling or indoctrinating religion or religious beliefs; (Para 9.A.(3))</li> <li>• Any other outstanding SBA loans of applicant are current; (Para 9.A.(6)(a))</li> <li>• Any same institution debt being refinanced has been current for at least the last 36 months; (Para 9.A.(4))</li> <li>• Proceeds do not finance more than 90% of the actual cost of real estate acquired or new business capital needs, (Para 9.A.(6)(c)) and</li> <li>• Proceeds do not guarantee or fund a letter of credit (Para 9.A.(6)(j)).</li> </ul> |                          |                          |                          |

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<b><u>Patriot Express</u></b> If loan approved as Patriot Express delivery method: (Patriot Express Procedural Guide of June 29, 2007):	Yes	No	N/A
<ul style="list-style-type: none"><li>• File evidence of 51% or more ownership by individuals with DOD/VA eligibility via DD 324, DD2648, DD 2, DD 2648-1, DD 214, DD 1173 or widow status, as applicable; (Para 5.a.)</li><li>• Applicant is not a business engaged in energy conservation, international trade, an ESOP, pollution control, or religious teachings. (Para 5.b.)</li><li>• Any other outstanding SBA loans of applicant are current (Para 5.b);</li><li>• Any same institution debt being refinanced has been current for at least the last 36 months; (Para 5.b.)</li><li>• Loan is not a piggyback, funds contaminated collateral, funds a letter of credit or floor plan; (Para 5.b.)</li><li>• Proceeds do not finance more than 90% of the actual cost of real estate acquired or new business capital needs; (Para 5.b) and</li><li>• Loan does not reduce lender's existing exposure. (Para 5.b.)</li></ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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17. Collateral Value has been **adequately analyzed**. (13 CFR §120.150(h)) Yes  No  N/A   
 Collateral issues to consider include such items as  
 ✓ identification of all available collateral,  
 ✓ determination of liquidation value,  
 ✓ whether method of determining collateral value is acceptable, or  
 ✓ determination of overall adequacy of collateral.

*List below all collateral that was taken to secure the loan:*

Item	Market Value		Percentages		Prior Liens		Liquidation Value	
	Per CM	Adj Val	Per CM	Adj Val	Per CM	Adj Val	Per CM	Adj Val
Commercial Real Estate								
Machinery & Equipment								
Furniture & Fixtures								
Accounts Receivable								
Inventory								
Vehicles								
Investment Real Estate								
Personal Residence								
Other								
<b>TOTAL</b>								
<b>ADJUSTED TOTAL</b>								
<b>Loan Amount</b>								
<b>Fully Secured (Shortfall) Per CM</b>								
<b>Fully Secured (Shortfall) Adjusted</b>								

18. **If loan was not fully secured**, was SBA policy followed for obtaining additional collateral? (13 CFR §120.150(h)) Yes  No  N/A

*List below all available collateral that was not taken to secure the loan:*

Item	Value	Prior Lien	Equity

19. As applicable, personal or corporate guaranties were required and have been obtained in accordance with SBA policy. (13 CFR §120.160(a); SOP 50 10 (4)e, Sub A, Chap 5, Para 2) Yes  No  N/A

20. Determine whether guaranty fee was paid in accordance with regulations. (13 CFR §120.220 and SOP 50 10 (4), Sub B, Chap 1, Para 15) Yes  No   
 Fee issues to consider include such items as  
 ✓ must be paid within 90 days of loan approval, or by disbursement date (whichever comes first),  
 ✓ or remittance with loan request for loan with 12-month or less maturity,  
 ✓ can be recouped from borrower ONLY after payment by lender,  
 ✓ any loan increase approved by SBA results in additional fee due, and  
 ✓ any extension beyond one-year maturity triggers full fee.



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- |     |  |                                 |                                |                                 |
|-----|--|---------------------------------|--------------------------------|---------------------------------|
| 27. | Evidence that the loan proceeds were used for purposes defined in the loan authorization. (13 CFR §120.410(a))<br>Lender's SBA Form 1050 disbursements are supported by proof of asset acquisition including closing statements, paid invoices when reimbursing the borrower, or other verifiable proof of purchase, or deposit of working capital funds into the borrower's operating account.  | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> |                                 |
| 28. | Stand-by agreements have been obtained and properly executed, when applicable. (13 CFR §120.410(a))  | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 29. | Evidence that lender performed a site visit or engaged in other intensive servicing activities when loan became 60 days past due or otherwise indicated reasons for elevated concern. (13 CFR §120.410(a))   | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 30. | Lender had prior written SBA approval for the following <b>servicing &amp; liquidation</b> actions: (72 FR 18361, 13 CFR §§120.545)<br><ul style="list-style-type: none"> <li>✓ Any increase in principal amount of loan; (72 FR 18361)</li> <li>✓ Any action that would confer a Preference on Lender or engages in an activity that creates a conflict of interest; (72 FR 18361, 13 CFR §§120.453; SOP 50 10 (4)e, Sub D, Chap 3, Para 9; SOP 50 51 (2)a, Chap 10, Para 5.b.(1))</li> <li>✓ Acceptance of a compromise settlement of the principal balance of a loan; (72 FR 18361, SOP 50 10 (4)e, Sub D, Chap 3, Para 9; SOP 50 51 (2)a, Chap 10, Para 5.b.(2))</li> <li>✓ Taking title property in the name of the Agency; (72 FR 18361, 13 CFR §120.453; SOP 50-51 (2), Chap 10, Para 5) or;</li> <li>✓ Taking title to environmentally contaminated property, or takes over operation and control of a business that handles hazardous substances or hazardous wastes; (72 FR 18362, 13 CFR §120.453; SOP 50 10 (4)e, Sub D, Chap 3, Para 9, SOP 50-50 (4), Chap 6, Para 5(4)(c); SOP 50-51 (2), Chap 10, Para 5)</li> <li>✓ Transfer, sale or pledge of more than 90 % of a loan; (72 FR 18362)</li> <li>✓ Taking any action for which prior written consent is required by a Loan Program Requirement; (72 FR 18362)</li> <li>✓ Before proceeding with any Non-Routine Litigation as defined in 13 CFR § 120.540(c)(1); (72 FR 18362)</li> <li>✓ Incurring litigation legal fees exceeding \$10,000; (72 FR 18362 for threshold amount, and SOP 50-50 (4), Chap 4, Para 11.b., SOP 50-51 (2), Chap 10, Para 5.f.)</li> </ul> | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 31. | Lender has provided notice to SBA upon classification of the loan into "liquidation." (SOP 50 51 (2)a, Chap 8, Para 5; For PLP lenders, Chap 10, Para 5c(1))   | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 32. | Lender has a written liquidation plan. (72 FR 18362, SOP 50 51 (2)a, Chap 10, Para 5f(1))  | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 33. | Evidence that, upon placing the loan in liquidation, lender performed timely site visits and took reasonable steps to secure the collateral. (SOP 50 51 (2)a, Chap 8, Para 8; For PLP Lenders Chap 10, Para 5d(2) - PLP)   | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 34. | Current appraisals were used by the lender to evaluate liquidation collateral. (SOP 50 51 (2)a, Chap 16, Para 3b)  | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |

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- |     |   |                                 |                                |                                 |
|-----|---|---------------------------------|--------------------------------|---------------------------------|
| 35. | If a liquidation case where title of property was taken, was an environmental review done prior to the acquisition of title? (SOP 50 51 2A, Chap 6, Para 2h, 15, 16)  | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 36. | Lender has forwarded all recoveries on repurchased loans within 15 days of receipt. (SOP 50 51 (2)a, Chap 8, Para 24b, 25; Chap 10, Para 5j(3)(a))  | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |
| 37. | The Wrap-Up Report has been completed and submitted to SBA when lender has determined the loan will not be fully repaid after all worthwhile collateral has been liquidated and no further recoveries are anticipated within a reasonable time. (SOP 50 51 (2)a, Chap 10, Para 5 n(1); For LowDoc Lenders Chap 10, Para 1.p.) | Yes<br><input type="checkbox"/> | No<br><input type="checkbox"/> | N/A<br><input type="checkbox"/> |

**DESCRIBE/EXPLAIN ANY “NO” COMPLIANCE ANSWERS.**

**ATTACH ADDITIONAL PAGES AS NECESSARY.**

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38. **Repayment assessment.** (13 CFR §120.150(a), (c)-(e), (i))

DSC Ratio \_\_\_\_\_ Credit Score(s) \_\_\_\_\_

**Describe and assess lender's approach to evaluation of repayment ability for applicable loan program.**

**Was lender's repayment decision reasonably sufficient for applicable loan program?**

Yes    No  
   

**Fully explain any "No" answer.** (13 CFR §120.410(a))

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39. **Capitalization assessment.** (13 CFR §120.150(f))

Debt/Net Worth Ratio \_\_\_\_\_

**Describe and assess lender's approach to evaluation of business capitalization.**

**Was lender's capitalization decision reasonably sufficient?**  
**Fully explain any "No" answer.** (13 CFR §120.410(a))

Yes    No

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40. **Management assessment.** (13 CFR §120.150(b))

**Describe and assess lender's approach to evaluation of management ability.**

**Was lender's management ability decision reasonably sufficient?  
Fully explain any "No" answer.** (13 CFR §120.410(a))

Yes    No

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41. **Collateral perfection/closing requirements.** (13 CFR §120.150(h))

**Describe and assess lender's closing and collateral perfection activities.**

**Were lender's closing activities reasonably sufficient?**  
**Fully explain any "No" answer.** (13 CFR §120.410(a))

Yes    No



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43. **Intensive servicing/liquidation activities.** (as applicable) (13 CFR §120.410(a))

**Describe and assess lender's approach to intensive servicing or liquidation.**

**Were lender's intensive servicing/liquidation activities reasonably sufficient? Fully explain any "No" answer.** (13 CFR §120.410(a))

Yes      No      N/A