

## **When a Default Occurs ... Ensuring Prompt Payment of your SBA 7(a) Loan Guaranty**

If you use SBA's 7(a) program and a loan goes into default, the last thing you want to have happen is for your loan guaranty claim to be reduced or denied. Here are SBA's top tips to ensure your claim is paid in full:

1. Make sure that the borrower's financial information received in conjunction with a loan application or change in business ownership is verified through the IRS.
2. Make sure that loan proceeds are used as required in the authorization.
3. Provide evidence of the borrower cash equity injection which would have been required prior to the disbursement of the loan. This is crucial when there is an early default or early loan problems. Failure to provide evidence that the cash equity injection actually occurred may be grounds for SBA's refusal to purchase if the size of the required equity injection is large relative to the loan amount and size of the business.
4. Request loan purchase within 120 days after maturity of the loan.
5. Prepare a collateral list as required by the loan authorization (or prudent lending practice) and be sure you can assert rights over this collateral.
6. Obtain proper lien position on collateral and perfect all liens.
7. Properly service and liquidate
8. Make appropriate site visits in a timely manner to ensure against removal of collateral.

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