



**Certified Development Company  
SMART Analytical Review Information Request**

**SBA 504 Loan Program Review  
Attachment to Notice of Review**

In accordance with 13 CFR §120.1000 (Risk-Based Lender Oversight) and 13 CFR §120.1050 (Reviews and Examinations), SBA conducts reviews of the SBA loan operations of SBA Lenders. The information requested below assists in SBA's evaluation of the Certified Development Company's (CDC's) portfolio performance; SBA operations management; credit administration; and, compliance with Loan Program Requirements.<sup>1</sup> Submission of this information is required so that SBA can conduct that evaluation. Instructions for the submission of requested information are in the attached cover letter.

\*\*Please note, in general, for information that has already been provided by a CDC but is unchanged, the CDC may certify that the information was already provided and is unchanged in lieu of resubmitting the information. The certification that must accompany this document submission must also state to whom and on what date the information was provided to SBA.

**Please provide the following:**

**Management and Operations**

1. Organization
  - a. Current organizational chart detailing the i) position, name and full-time, part-time or intern designation of each CDC staff member including management, and ii) the month/year that Executive Director began leading the CDC.
  - b. Summary of delegations and responsibilities for the executives and program managers of the SBA 504 program. List any significant changes regarding CDC delegations, authorities, responsibilities, and structure since the CDC's last Annual Report.
  - c. Please complete the following Composition Matrix based upon the CDC's current Board of Directors.

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<sup>1</sup> Information requested may be applicable to the evaluation of more than one area.

Directors and Loan Committee Members Role & Committee Membership											Director's Background & Expertise				
No.	Name City and State of Residence	Company and Title	City and State of Employment	Contact Information	# of Years on the Board*	Voting	Executive	Audit	Loan	Commercial Lending	Workforce, Community or Economic Dev.	Financial Risk Management	Corporate Governance	Legal Issues Relating to Commercial Lending	Internal Controls
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															

\* Enter "N/A" if individual is not a board member.

- d. Detail the changes to the Board's composition since the CDC's last Annual Report submission and include the corresponding effective dates of all changes and the Board minutes that evidence approval of each change.
- e. Current curriculum vitae for Board members.
- f. For any Directors who serve on other Boards, please respond to each of the following requests:
  - i. Name of the business that the other Board governs;
  - ii. The type of business and services offered by the business that the other Board governs;
  - iii. Note if the business that the other Board governs is civic, charitable or comparable organization; and
  - iv. Note if the business that the other Board governs is active in financial services, economic development or making loans.
- g. Updates or changes to any Board Members' compensation since submission with the most recent Annual Report. Describe who receives compensation, the form and amount of the compensation, and for what they are being compensated
- h. If the CDC has a Loan Committee (LC); please respond to each of the following requests:
  - i. Please provide the procedure by which the LC member recuses himself to avoid any conflict of interest vote, such as being an employee of a third party lender bank who is affiliated with the subject loan package being reviewed.
  - ii. Please indicate the city of each LC members' home and work, if not submitted with the last Annual Report.

2. Business Plans

- a. The CDC's Capital Plan detailing actions to raise additional capital, if needed,

and the Board meeting minutes documenting discussions and approval of this capital plan.

- b. The CDC's current written Investment Policy that includes the requirements for the quality of investments, counterparty risk assessments, Board oversight, and reporting.
  - c. The CDC's written plan or policy to mitigate the risk of deposits exceeding insurance limits.
  - d. The CDC's Executive Director Succession Plan and evidence of Board approval.
3. Financial Information
- a. The CDC's last fiscal year-end audited/reviewed financial statements that have been issued since the CDC last submitted its Annual Report; and, date of the Board of Director (Board) meeting minutes in which the financials were presented, discussed and approved, and breakout of 504 Revenue by Processing Fees, Servicing Fees and Float Interest revenue. If the CDC is operating as a Multi-State CDC, provide a separate accounting of each state of all 504 fee income and expenses and evidence that all funds resulting from its Multi-State CDC operations are being invested in economic development activities in each state in which they were generated.
  - b. Interim financial statement (balance sheet and income statement) as of the most recent quarter-end.
  - c. A list of the CDC's deposit institutions, and the average balance by institution in the previous 12 months
  - d. The amount of the CDC's reserves for future operations as of the i) last two fiscal- year ends and, ii) the current quarter. Please provide the line item descriptions that were used in calculating these totals.
  - e. List the report names/frequency that provide the necessary information for the Board to maintain its awareness of and direction over the 504 Loan Program and CDC operations.
  - f. Strategic and current operating plans, budgets and comparative performance reports related to the SBA program objectives for portfolio growth, performance, product lines, and geographic and industry (i.e., NAICS) concentrations, and the Board meeting minutes documenting discussions and approval of strategic/operating plans.
  - g. List any inter-CDC affiliations between Board members and CDC staff members. This would include such relationships as a close relative, spouse, parent, child, or sibling that works for the CDC.
  - h. Updates or changes to the CDC's Articles of Incorporation and signed bylaws, if not submitted with the Annual Report.
  - i. The CDC's current: a) written Executive Compensation policy, b) Executive Director's compensation package that details the base salary, benefits, and if applicable, the bonus structure, if not submitted with the Annual Report. Please provide the Board meeting minutes documenting Board approval of the compensation package and the Board's annual performance review of the Executive Director. (If minutes have been previously provided, please indicate the date of Board approval.) Has the CDC conducted a review of executive compensation at peer organizations? If so, please provide a copy of the review.
  - j. Any other final or, if reports have not been finalized, draft reports received within the last two years relating to your SBA lending program resulting from:
    - i. Internal audits, examinations, reviews and management letters;
    - ii. External audits, examinations, reviews and management letters; and
    - iii. Management's response and a summary of actions taken to address the

findings and recommendations of each audit, examination, and review. Include Board of Directors meeting minutes documenting discussion and decisions made about corrective actions.

- k. Most recent audit Engagement Letter from CPA Firm, if not submitted with most recent Annual Report.
- l. Evidence that CPA Firm and appointed individual are licensed to practice as public accountants in the CDC's principal office location.
- m. Please provide the Board meeting minutes documenting CPA Firm discussing/presenting the most recent audit results to the CDCs Board. (If minutes have been previously provided, please indicate the date of Board approval.)
- n. Evidence of CPA Firm's letter to CDC management on internal control weaknesses, if not submitted with most recent Annual Report.

### **Eligibility and Credit Administration**

1. Final or draft Independent Loan Review reports provided to the CDC since the last report was submitted with the Annual Report: a) date of the Board meeting minutes that evidence its review of the Independent Loan Review report b) date of the Board meeting minutes which evidence its approval to conduct the Independent Loan Reviews; and c) copy of an executed agreement for the next Independent Loan Review and the dates scheduled, if one is pending.
2. Detail the CDC's practices for evaluating continued creditworthiness (e.g., annual financial statement analysis, credit modeling for portfolio management purposes, etc.). If borrowers do not submit their annual financial statements after repeated attempts by the CDC, what additional steps are taken to evaluate continued creditworthiness? Please identify the location (page number) in the CDC's Servicing Policy documenting the CDC's policy for this effort.
3. Loan Policy and Procedures Manual and Loan Servicing Policies and Procedures Manual, including meeting minutes documenting the Board's last review/approval of the policies. Please identify the page(s) in the CDC's written Loan Policy that details the required abstention procedure.
4. Description of the internal and/or external credit evaluation methodology employed, including credit scoring techniques utilized to:
  - a. Screen or evaluate for loan approval; and,
  - b. Risk rate existing loans.
5. Please describe your department structure/function for ongoing servicing and for liquidation activities.
6. What is your business model for resolutions (liquidations/purchase requests)?
  - a. Is it centralized or decentralized? Please explain.
  - b. Are SBA liquidations managed by a "special assets" department? If not, how do you ensure SBA requirements are met?
7. List of Designated Attorneys, including contact information, name of state licensed, training certificate, and professional liability insurance policy binder that specifies the attorney's name as being covered in the policy.

### **Compliance with Loan Program Requirements**

1. Please complete the table below regarding SBA Training by listing all SBA-specific (do not list non-SBA loan program sessions) training for the last two years for all staff including the Executive Director, name of session, and month/year attended. Please also indicate who conducted the trainings and by what means (e.g., webinar, District Office classroom session, NADCO conference session, etc.). Add lines as needed.

Staff/Executive Director Name	Title	SBA Loan Program Training Session Attended	Month/Year of Attendance	Training Conducted By

2. If the CDC has fewer than nine (9) voting directors on its Board, please provide documentation supporting the SBA’s waiver of this requirement.
3. Documentation supporting the submission of Statements of Personal History Forms (SBA Forms 1081) and fingerprint cards (FD 258) to the District Office for new officers, directors, and employees, over the last three years. In addition, if the CDC's address or phone number has changed within the past three years, please provide transmittal correspondence evidencing submission to the District Office.
4. Minutes of all Board, Executive and Loan Committee meetings as applicable, for the last 24 months if not submitted with the last Annual Report, including evidence that: i) any affiliated Board and Committee members (i.e. third-party lender) abstained from voting where a potential or actual conflict existed, ii) there was a quorum of at least five members voting on all loan approval decisions, and iii) at least two of the members voting on all loans had a background in commercial lending.
5. List all loans that were provided to CDC associates, the loan date, rate and terms, amount, and their relationship to the CDC.
6. The CDC’s a) written Conflict of Interest Policy, and b) the Board meeting minutes documenting its approval.
7. Internal Control Policy (including Independent Loan Review Policy and Risk Rating system) with the date of the meeting minutes documenting the Board’s last review/approval of the policies.
8. Evidence that Quarterly Delinquency Reports were submitted to the SBA Loan Servicing Center for the last three quarters.
9. A list of all current ongoing litigations, claims, commitments, or contingencies which may impact the CDC’s balance sheet, ratios, or loan covenants.
10. The most recent two years of IRS Form 990 tax returns, if not submitted with most recent Annual Report.
11. Any renewals, updates or changes to Directors’ and Officers’ liability insurance policy since the CDC’s submission with the last Annual Report with all endorsements.
12. Any renewals, updates or changes to Errors and Omissions liability insurance policy since the CDC’s submission with the last Annual Report.
13. The Board-approved budget for investment in other economic development in each of the states in the CDC’s Areas of Operation for the CDC’s current and prior fiscal years (pursuant to 13 CFR 120.823(d)(10)).
14. The report used by CDC management/Board to monitor its investment in other local economic development, including: i) activities with descriptions, ii) amount invested and/or service hours in each of the Board-approved activities, iii) the CDC’s analysis of the impact that the investment had on the community, and iv) evidence of Board

approval. Please explain if there were no investments made. This should also include CDC's dollar amount invested in other local economic development activity for the latest two completed fiscal years.

15. The written policy and narrative describing any relationships with and monitoring of commissioned non-employees or any other type of non-employee, loan application agents, brokers or similar individuals.
16. List of all executed Professional Service Contracts, along with date of SBA's pre-approval. Provide the a) month/year that the Professional Service Provider first began providing services to the CDC, and b) Board minutes that evidence its most recent approval of the current contract.
17. Is the CDC a Lender Service Provider for any 7(a) lender? If so, please provide a list of all loans packaged in the last 12 months.

### **Portfolio Performance**

1. List of all 504 loans in an Excel spreadsheet with SBA loan number, loan balance, delivery method (regular, 504 Debt-Refi, ALP or PCLP), borrower's name, current status of each loan (approved pending funding, current, in catch-up, in deferment, past due [please note number of months past due], purchased by SBA in liquidation, purchased by SBA but returned to servicing, purchased by SBA and charged-off by SBA, or paid in full), paid through date, the name of the agent/broker associated with the loan (if applicable), the third party lender, and the name of the CDC's business development officer (BDO) responsible for the loan, the current loan classification (risk rating), and date of last risk rating classification. For charged-off loans, please only include those loans charged-off in the past five years.

### **PCLP**

Latest quarterly PCLP Loan Loss Reserve Fund Report, if applicable, with evidence that it was submitted to the SBA District Office.

**Discussion of higher risk metrics as listed below.**

**[Insert list of SMART metrics]**