

RISK MANAGEMENT DATA BASE FORM

(See attached instruction sheets to complete this form)

Loan Number: _____

Borrower: _____

Current History Indicator: _____ (A, B, C)

	Actual @ Origination	Projected @ Origination
A) Current Ratio	_____:1	_____:1
B) Debt to Tangible NW	_____:1	_____:1
C) Loan to Value – Fair Market	_____%	_____%
D) Loan to Value – Liquidation	_____%	_____%

**Net Realizable
Value @ Default**

Machinery and Equipment _____

Furniture/fixtures/LH Improvements _____

Inventory _____

Accounts Receivable _____

Commercial Real Estate _____

Residential Real Estate _____

Other _____

Was this loan a:

Real estate loan _____ (Y, N)

Piggyback loan _____ (Y, N)

If so, same lender _____ (Y, N)

Change in ownership _____ (Y, N)

LOAN UNDERWRITING CRITERIA – RISK MANAGEMENT DATABASE

Section 102 of the Small Business Programs Improvement Act of 1996 requires SBA to report on the performance of its business loan portfolio utilizing a Risk Management Database. To comply with this requirement, SBA must compile statistical data on every business loan SBA makes or guarantees, and must calculate certain key ratios for entry into the database along with collateral information for every loan that goes into default (i.e., is transferred into liquidation). By assisting the underwriting characteristics of each loan at the time of application, SBA may gain significant insight into causes of default.

The information to be collected includes ratios showing the applicant's financial condition at time of application, both on an actual and on a pro-forma basis and the net realizable value at the time of default (when a loan is placed in liquidation). Processing personnel must ensure that lenders know about the requirement to include the data with their liquidation plans on defaulted loans. SBA personnel will input the data for loans transferred to liquidation.

The data to be collected include the following. To have a valid basis for comparison, the same methodology must be used by all to compute the ratios:

- 1) **Credit History Indicator (A, B, or C):**
 - a) A – if the credit rating is acceptable based on the normal credit review process
 - b) B – if the firm's credit rating is marginal; and
 - c) C – if the company is a new business with no credit history
- 2) **Current Ratio (CA/CL):** For "Projected at Origination" include the effect of the pending financing on the ratio components
- 3) **Debt to Tangible Net Worth (Total Liabilities/Tangible Net Worth):** For "Projected at Origination" include the effect of the pending financing on the ratio components
- 4) **Loan to Value – Fair Market**
 - a) Actual at origination: the approved loan amount divided by the total value of all loan collateral using market valuation (without any collateral that will be purchased with the loan)
 - b) Projected at origination: include any collateral that will be obtained through the use of proceeds of the loan
- 5) **Loan to Value – Liquidation**

Commercial real estate	75%
Residential real estate	80%
Unimproved land	50%
Leasehold improvements	5%
Machinery and equipment	50%

Furniture and fixtures	10%
Accounts receivable	20%
Inventory	20%

- a) Actual at original: same as 4) except that the above liquidation discounts are used on existing collateral
 - b) Projected at origination: using above liquidation discounts, include any collateral that will be obtained through the use of proceeds of the loan
- 6) **Net Realizable Value at Default:** the total recovery that can reasonable be expected from the sale of the assets. Start with the above liquidation values for loan collateral, or other values that can be justified. Outstanding senior liens should then be deducted with any taxes owed. Next, subtract anticipated sales costs plus expenses that will be incurred for care and preservation of the assets during the sale process.
- 7) **Is this a Piggyback loan:** SOP 50-10(4)(E) defines Piggyback loans; also indicate Yes if your lending institution was the lender in the Piggyback loan holding a senior lien position on the collateral.
- 8) **Is this a real estate loan:** indicate yes or no if the a major portion of the loan proceeds were for the acquisition, construction or refinancing of real estate to be used in the business
- 9) **Was there a change in ownership:** indicate yes or no if the loan was made for the purpose of acquiring an existing business