

Care and Preservation of Collateral (CPC) Expenses

Revised CPC Processing Procedures

12/14/2007

Background: Recent comprehensive reviews of our internal procedures coupled with discussions with many of our lending partners have revealed and highlighted common issues that with recognition and modification will immediately improve the payment process for both SBA and Lenders resulting in staff savings and more timely reimbursement. Based on the issues and Lender suggestions, we have modified our local CPC processing procedures with responsive and sensible solutions as indicated below. We invite your attention to the brief list of issues cited below and then to the Revised CPC Processing Procedures that will be effective on 12/14/2007. As always, your future input and suggestions for enhancements are welcomed. In order for payments to be processed in a timely manner SBA needs the Lender's tax identification number. Effective immediately, please be sure to include this information on your request for reimbursement.

Issues and Solutions:

1. In far too many cases we are being presented with requests for reimbursement for relatively "small" amounts. In addition, many of these same "small" bills are also being presented to us on a monthly basis and in many cases are for the same amount each month.

*Effective immediately, we will implement the **\$5000 or quarterly rule**. Simply put, please compile and aggregate invoices for submission to SBA when they total \$5,000 or more or if your aggregated invoices do not reach the threshold, you may submit on a quarterly basis.*

2. Too many requests being submitted in many different formats containing either far more or far less information than necessary causing confusion and duplication. Also, we are being sent multiple requests and summaries that are not accurate and that may not truly summarize the submissions.

*We have refined and implemented a simplified approach providing you a sensible uniform format. Please refer to the "**Revised CPC Processing Procedures**" as outlined below.*

3. We are seeing requests for reimbursement on LowDoc Loans and from PLP lenders in amounts exceeding recoveries that have not been preapproved. While in some instances we were able

to approve some expenses after further analysis and justification, in most cases these expenses were declined.

Please note that reimbursement of liquidation expenses incurred is limited to the recovered amount. The SBA shares in reasonable and necessary costs on a pro-rata basis up to SBA's share of total recoveries. Your attention is invited to Chapters 10 and 19 of SBA SOP 50-51 2a for discussion and clarification and as to when SBA would consider and perhaps allow exceptions.

4. We are seeing far too many requests for reimbursement for expenses from the sale of collateral that could have been more efficiently handled through deduction from proceeds.

Lenders are permitted to deduct expenses from recoveries subject to SBA's subsequent review and approval. All the invoices along with a complete and detailed explanation must be submitted with your wrap-up reports or sooner if needed. Your attention is invited to Para 25 of Chap 19 of SOP 50-51 2A for further explanation.

5. Lenders have indicated a desire to be kept up-to-date on the status of their requests.

After submission of your reimbursement request you will receive a "CPC Status and Payment Statement" indicating whether your submission has been: accepted for review, rejected, or postponed. A second "CPC Status and Payment Statement" will be sent out when the request has been processed and finalized. Please see example attached.

New Simplified Process

Basic Package: The following is a list of essential items that should be included in a request for reimbursement package:

1. Lender contact info to include lender's tax identification number
2. An itemized summary of expenses
3. Copies of the original itemized invoice(s)
4. Copies of supporting documents/reports

Lender contact information: Please include name, address, e-mail address, phone, and fax numbers, and tax identification number.

Summary of Expenses – Form and Content. An itemized summary of expenses is important when submitting *multiple* invoices. The summary should include:

- a. Invoice Date This is the date the task was performed. The amount should correspond to the service performed on the invoice date and not include any previous balance.
- b. Invoice Number
- c. Fee Type For SBA purposes, we have categorized the different fee types as follows:
 - Searches
 1. UCC
 2. Real Property
 2. Debtor/Asset
 3. Other
 - Appraisals
 1. Real Estate
 2. Personal Property/Chattels
 3. Environmental Survey/Report
 4. Site Visit
 5. Other
 - Legal Expenses
 - Care and Preservation
 1. Utilities
 2. Insurance
 3. Caretaker Fees
 4. Repairs
 5. Other
 - Other Miscellaneous Fees

As can be noted in the sample below, it would be helpful if multiple invoices could be grouped according to fee type and subtotals calculated for each group:

Invoice Date	Invoice Number	Fee Type	Original Amount
10/10/04	123	Real Estate Appraisal	2,000.00
12/12/04	246	Personal Property Appraisal	1,500.00

		Subtotal:	3,500.00
9/5/04	001	Legal	400.00
9/12/04	002	Legal	2,000.00
		Subtotal	1,400.00
10/5/04	2561	UCC Search	70.00
		Subtotal	70.00
		<i>Grand Total</i>	<i>5,970.00*</i>

*Requests should exceed \$5,000. If expenses do not exceed that amount they may be aggregated and submitted quarterly.

Original invoices – Form and Content. We need a copy of the original invoice that includes the following:

1. Thorough description of task performed i.e. if a real estate appraisal is performed, the invoice should include the location of the property and a list of the properties that were appraised.
2. Dated invoice showing the date the task was performed.
3. Total amount charged for the service: the original amount for the service that corresponds to the invoice date. We normally pay from invoices for specific services rather than from monthly billing statements that may include charges for past due periods of events.

Copies of certain documents/reports. Along with the invoice(s), we will need copies of the following:

1. A copy of all site visits and personal property (chattel) appraisals performed (i.e. QuickTrak Reports) ** See lender site visit evaluation standards below
2. A copy of the valuation page for real estate appraisals

** Lender site visit evaluation standards. As an alternative to site visits by lender, a lender may engage third party inventory/appraisal contractors to perform the same duties provided the costs are reasonable in relation to the services provided. A meaningful collateral inspection by lenders is both a comprehensive inventory and a valuation of the collateral. A timely and comprehensive inspection may improve the overall recovery on loans.

To be considered for payment, a fee site visit performed on behalf of the lender should provide a meaningful inspection of personal property collateral to include:

1. Specific description and identification including serial numbers

2. Photographs or videotapes of larger or more significant pieces to establish condition, identity, and pictorial evidence
3. Establishment of individual liquidation values
4. Evaluation of inventory is needed to verify or establish the value of the inventory based on retail price or cost. This can be done by photographs, videotaping, or by actual count with descriptions if there is sufficient value in the inventory to warrant. You may consider the use of retail inventory firms which are generally economical and efficient and can provide an accurate accounting of goods.
5. A thorough review that includes an analysis of the use of loan proceeds to compare with assets currently on site. Any differences should be addressed through the borrower. The focus is to evaluate early and effectively in a manner appropriate for the collateral involved in order to prevent dissipation or loss in value.

Please note, we **do not** need the following items to be included in reimbursement packages:

1. Copies of the checks evidencing your payment to the vendor
2. Wiring transmittal sheets
3. Invoices of expenses that have already been reimbursed (although these may be required as part of SBA's liquidation wrap-up review)
4. Monthly statements from vendors in addition to invoices
5. Duplicates of past CPC submissions

Consolidating Invoices: Frequently, requests are submitted for relatively "small" bills on a recurring basis. To mutually avoid the time and expense of processing these small and periodic invoices and to provide better service to you, SBA requires that invoices be aggregated and not submitted until the total exceeds \$5,000. However, requests may be submitted regardless of the amount on a quarterly basis.

Methods of Submission. Please try to use one of the first two dedicated submission methods indicated below.

E-mail: SBACPC@sba.gov
Fax: 202-481-4599
Mail: SBA National Guaranty Purchase Center
Attn: CPC Unit
1145 Herndon Parkway
Herndon, VA 20170