

## Quality Control 7(a) Program Centers Vertical Report: FY2017 Q2



### Path to Quality Control Reporting on Center's "Vertical" Vitals



## 7(a) Loan Program: LGPC, NGPC, LRSC, & FSC Root Cause Vertical Report FY 2016- FY 2017 (Q1 & Q2)



This report showcases the fluctuations of Root Causes for LGPC, FSC, LRSC, and NGPC in the 7(a) Program.

For the time period October 2015 to March 2017, **Citrus Heights** had a total of **423 Root Causes for Improper Payments** that occurred. LGPC's top 5 Root Causes were:

- 1) Authorization Errors
- 2) Loan Documentation
- 3) Miscellaneous
- 4) Repayment Analysis - Still Acceptable
- 5) System Input

For the time period October 2015 to March 2017, **Fresno** had a total of **48 Root Causes for Improper Payments** that occurred. FSC's top 5 Root Causes were:

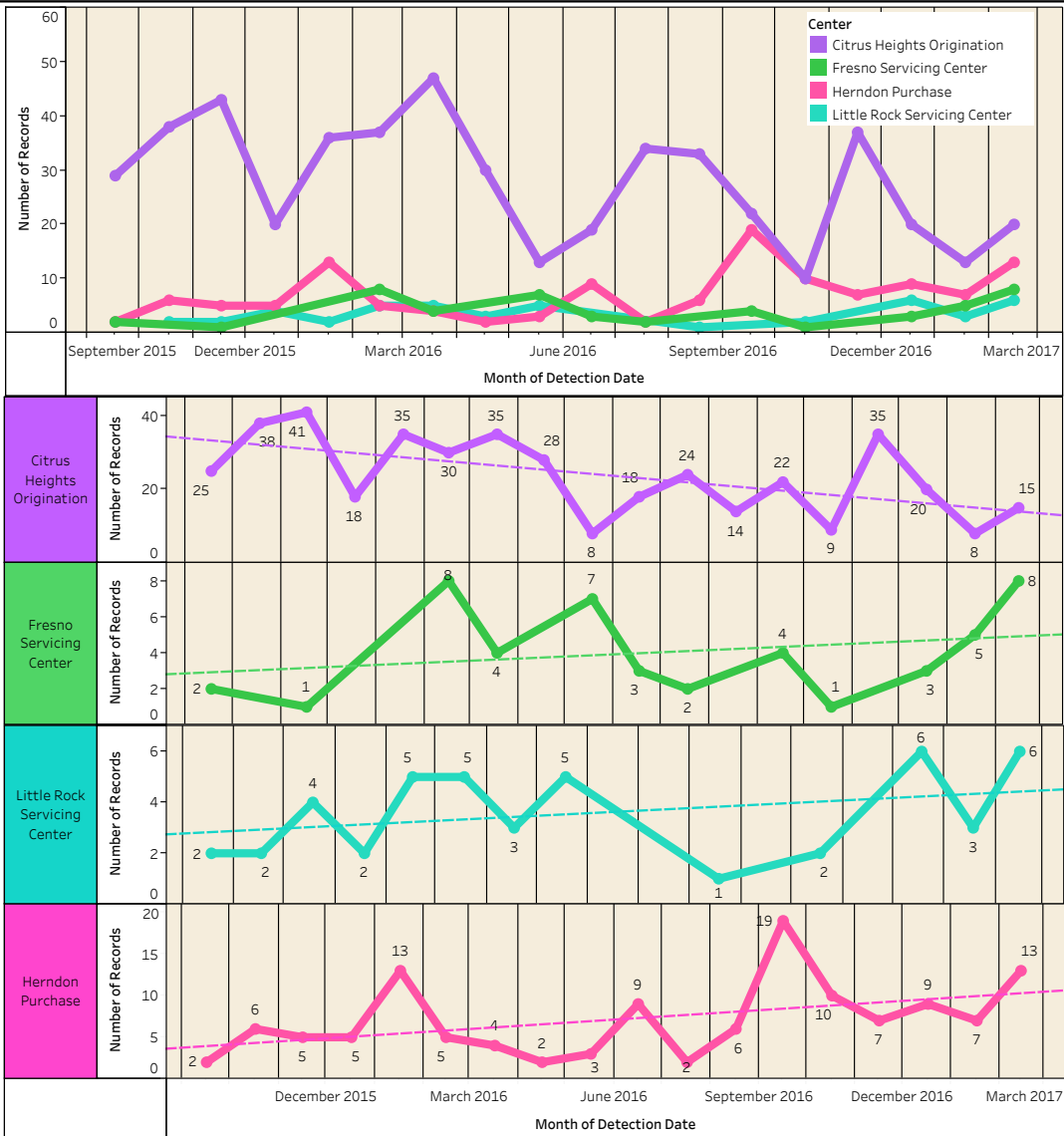
- 1) CHRON Input
- 2) 327 Action Accuracy
- 3) E-Tran Update
- 4) Loan Documentation
- 5) Obligor/Guarantor

For the time period October 2015 to March 2017, **Little Rock** had a total of **46 Root Causes for Improper Payments** that occurred. LRSC's top 5 Root Causes were:

- 1) CHRON Input
- 2) E-Tran Update
- 3) Loan Documentation
- 4) 327 Action Accuracy
- 5) Lack of Approval

For the time period October 2015 to March 2017, **Herndon** had a total of **127 Root Causes for Improper Payments** that occurred. NGPC's top 5 Root Causes were:

- 1) Procedure Error
- 2) CPC Expenses
- 3) Key Puncher/Data Entry Error
- 4) Transcript of Account
- 5) Address Discrepancy



Citrus Heights Origination		Fresno Servicing Center		Little Rock Servicing Center		Herndon Purchase	
Root Cause	Frequency	Root Cause	Frequency	Root Cause	Frequency	Root Cause	Frequency
Authorization Errors	107	CHRON Input	13	CHRON Input	20	Procedures Error	23
Loan documentation	73	327 Action Accuracy	8	E-Tran Update	10	CPC Expenses	19
Miscellaneous	47	E-Tran Update	8	Loan documentation	6	Key Puncher/Data Entry Error	10
Repayment Analysis-Still Acceptable	46	Loan documentation	4	327 Action Accuracy	3	Transcript of Account	10
System Input	44	Obligor/Guarantor	4	Lack of Approval	2	Address Discrepancy	8
Collateral	22	Policy Interpretation	4	Obligor/Guarantor	2	Eligibility	8
Loan Terms and Structure	16	Department Procedure	2	Investor approval	1	Collateral Identification	6
Use of Proceeds	12	Financials	2	Financials	1	Loan documentation	6
Change of Ownership	9	Collateral	1	Department Procedure	1	TIN Discrepancy	5
Tax Verification	8	Lack of Approval	1	Investor approval	1	Referral Code Incorrect	4
Form 1919	6	LS did not provide unilateral acknowledgement.	1			Debt Refinance Eligibility	3
Business Valuation	4					Recovery	3
Debt Refinance Eligibility	4					Use of Proceeds	3
Credit	3					Collateral	2
Credit Elsewhere	3					IRS Transcripts	2
Lender Credit Memo	2					Repayment Analysis	2
Repayment Analysis-Not Acceptable	2					Source of Injection	2
Size Analysis	2					Appraisal	1
Business Type / Operation Ineligible	1					Calculation of Repair	1
Franchise	1					Data entry errors	1
Historic Registry	1					Equity Injection	1
INS Clearance	1					Guarantors Released	1
Lender Ethical /Conflict Issue	1					Interest Rate	1
Minor Authorization Errors	1					Lien Position	1
Non-US Citizen	1					Liquidation Proceeds	1
Occupancy	1					LMS Not Updated	1
Paragraphs Missing from Authoriza...	1					Site Visit	1
PFS not signed	1					W/C to EPC	1
Possible affiliate	1						
Possible other Affiliates	1						
Standby Debt	1						
<b>Grand Total</b>	<b>423</b>	<b>Grand Total</b>	<b>48</b>	<b>Grand Total</b>	<b>46</b>	<b>Grand Total</b>	<b>127</b>

# LGPC 7(a) Origination: Live Approval Reviews Concurrence Rate Performance Trend Analysis FY 2016- FY 2017 (Q1 & Q2)



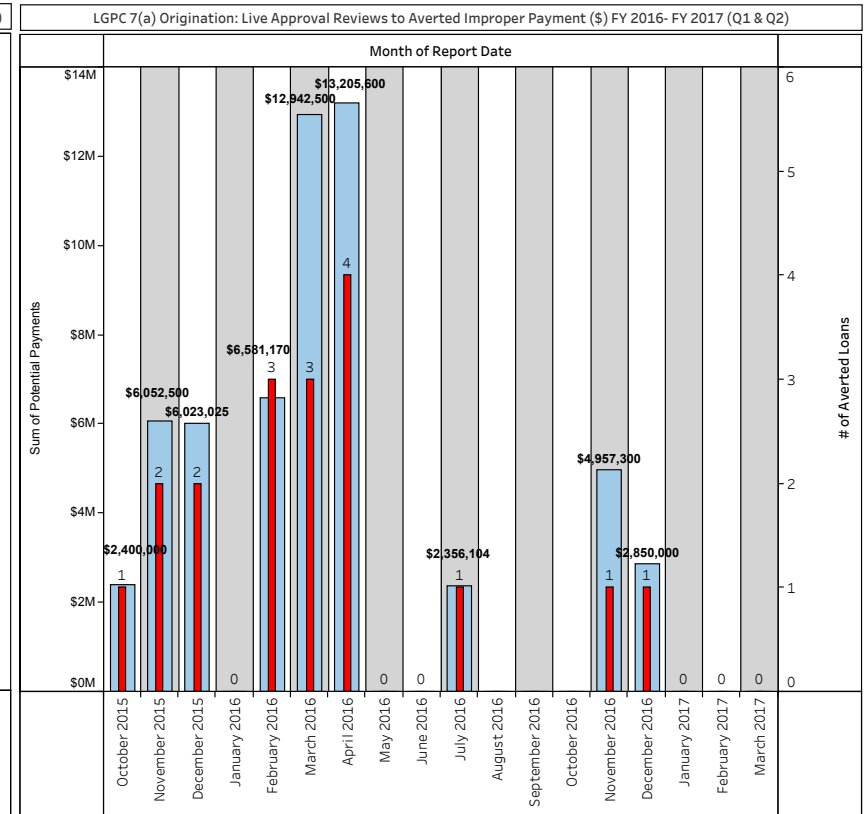
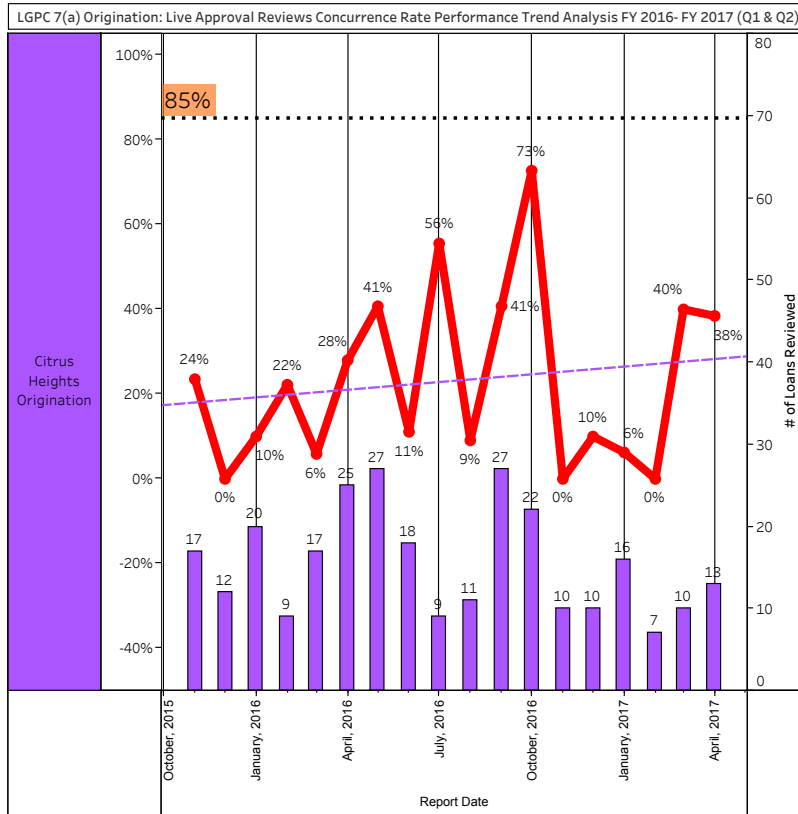
Quality Control has established an **85% benchmark** for concurrence rates across all 7(a) centers: LGPC, NGPC, FSC, and LRSC.

For Live Approval Reviews during the time period FY 2016- FY 2017 (Q1 & Q2), **Citrus Heights** performed **below the 85% benchmark** for all months.

Average concurrence rates **increased dramatically** in June 2016 by **45%** (FY 2016 Q3), August 2016 by **32%** (FY 2016 Q4), September 2016 by **32%** (FY 2016 Q4), and February 2017 by **40%** (FY 2017 Q2).

Average concurrence rates **decreased dramatically** in May 2016 by **30%** (FY 2016 Q3), July 2016 by **47%** (FY 2016 Q4), and October 2016 by **73%** (FY 2017 Q1).

The moving average for LGPC's average concurrence rates was **23.02%**.



			# Concurs	# Reviewed	Avg. Concurrence Rate	\$ Potential Improper Payments	# of Averted Loans	
Citrus Heights Origination	Live Approval Reviews	FY 2016	October	4	17	23.5%	2,400,000	1
		November	0	12	0.0%	6,052,500	2	
		December	2	20	10.0%	6,023,025	2	
		January	2	9	22.2%		0	
		February	1	17	5.9%	6,581,170	3	
		March	7	25	28.0%	12,942,500	3	
		April	11	27	40.7%	13,205,600	4	
		May	2	18	11.1%		0	
		June	5	9	55.6%		0	
		July	1	11	9.1%	2,356,104	1	
	August	11	27	40.7%	0	0		
	September	16	22	72.7%	0	0		
	October	0	10	0.0%	0	0		
	November	1	10	10.0%	4,957,300	1		
	December	1	16	6.3%	2,850,000	1		
	January	0	7	0.0%		0		
	February	4	10	40.0%		0		
	March	5	13	38.5%		0		

## 7(a) Servicing: Fresno & Little Rock 18-Month Concurrence Rate Performance Trend Analysis FY 2016- FY 2017 (Q1 & Q2)



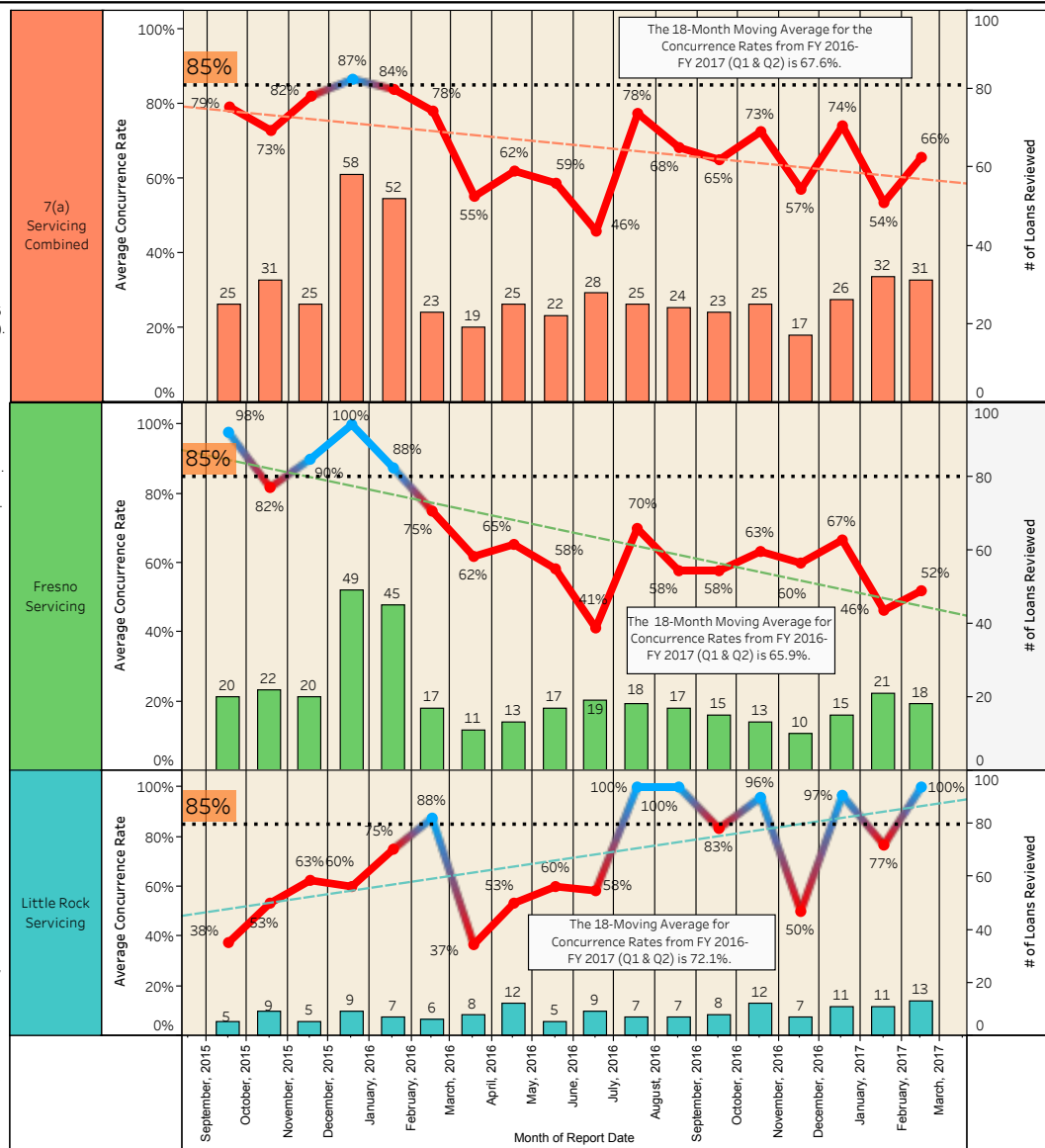
U.S. Small Business Administration

Quality Control has established an **85% benchmark** for concurrence rates across all 7(a) centers: LGPC, NGPC, FSC, and LRSC.

For **Servicing Loan Actions** during the time period FY 2016- FY 2017 (Q1 & Q2), **Fresno and Little Rock's** average concurrence rates steadily increased until January 2016. Average concurrence rates **increased dramatically** in August 2016 by **32%** (FY 2016 Q4) and in January 2017 by **17%** (FY 2017 Q2). Average concurrence rates **decreased dramatically** in April 2016 by **23%** (FY 2016 Q3), July 2016 by **13%** (FY 2016 Q4), December 2016 by **16%** (FY 2017 Q1), and February 2017 by **21%** (FY 2017 Q2). As the linear dashed trend line indicates, **average concurrence rates** for Fresno and Little Rock **decreased on average** during this time period. The moving average for **Fresno and Little Rock's** average concurrence rates was **67.6%**.

For **Servicing Loan Actions** during the time period FY 2016- FY 2017 (Q1 & Q2), **Fresno's** average concurrence rates were above or close to the 85% benchmark and steadily declined for Q1 & Q2 of FY 2016. Average concurrence rates **increased dramatically** in August 2016 by **29%** (FY 2016 Q4). Average concurrence rates **decreased dramatically** in November 2015 by **16%** (FY 2016 Q1), July 2016 by **17%** (FY 2016 Q4), and February 2017 by **20%** (FY 2017 Q2). As the linear dashed trend line indicates, **average concurrence rates** for Fresno **decreased on average** during this time period. The moving average for **Fresno's** average concurrence rates was **65.9%**.

For **Servicing Loan Actions** during the time period FY 2016- FY 2017 (Q1 & Q2), **Little Rock's** average concurrence rates steadily increased for Q1 & Q2 of FY 2016. Average concurrence rates **increased dramatically** in August 2016 by **39%** (FY 2016 Q4), January 2017 by **46%** (FY 2017 Q1), and March 2017 by **13%** (FY 2017 Q2). Average concurrence rates **decreased dramatically** in April 2016 by **51%** (FY 2016 Q3), October 2016 by **17%** (FY 2017 Q1), December 2016 by **46%** (FY 2017 Q1), February 2017 by **20%** (FY 2017 Q2). As the linear dashed trend line indicates, **average concurrence rates** for Little Rock **increased on average** during this time period. The moving average for **Little Rock's** average concurrence rates was **72.1%**.



7(a) Servicing Combined					Fresno Servicing					Little Rock Servicing				
		# Concurs	# Reviewed	Avg. Concurrence Rate			# Concurs	# Reviewed	Avg. Concurrence Rate			# Concurs	# Reviewed	Avg. Concurrence Rate
FY 2016	October	21	25	79.2%	FY 2016	October	19	20	97.8%	FY 2016	October	2	5	37.5%
	November	26	31	72.9%		November	21	22	81.8%		November	5	9	53.3%
	December	23	25	82.1%		December	20	20	90.0%		December	3	5	62.5%
	January	55	58	86.7%		January	49	49	100.0%		January	6	9	60.0%
	February	48	52	83.9%		February	43	45	87.5%		February	5	7	75.0%
	March	21	23	78.1%		March	16	17	75.0%		March	5	6	87.5%
	April	14	19	55.3%		April	11	11	61.9%		April	3	8	36.7%
	May	20	25	62.0%		May	12	13	65.4%		May	8	12	53.3%
	June	16	22	58.8%		June	13	17	58.3%		June	3	5	60.0%
FY 2017	July	21	28	45.9%	FY 2017	July	15	19	41.3%	FY 2017	July	6	9	58.3%
	August	23	25	77.5%		August	16	18	70.0%		August	7	7	100.0%
	September	22	24	68.3%		September	15	17	57.8%		September	7	7	100.0%
	October	19	23	65.1%		October	13	15	57.8%		October	6	8	83.3%
	November	23	25	72.6%		November	12	13	63.3%		November	11	12	95.8%
	December	14	17	57.1%		December	10	10	60.0%		December	4	7	50.0%
	January	24	26	74.2%		January	14	15	66.7%		January	10	11	96.7%
	February	24	32	53.6%		February	15	21	46.4%		February	9	11	76.7%
	March	26	31	65.7%		March	13	18	52.0%		March	13	13	100.0%

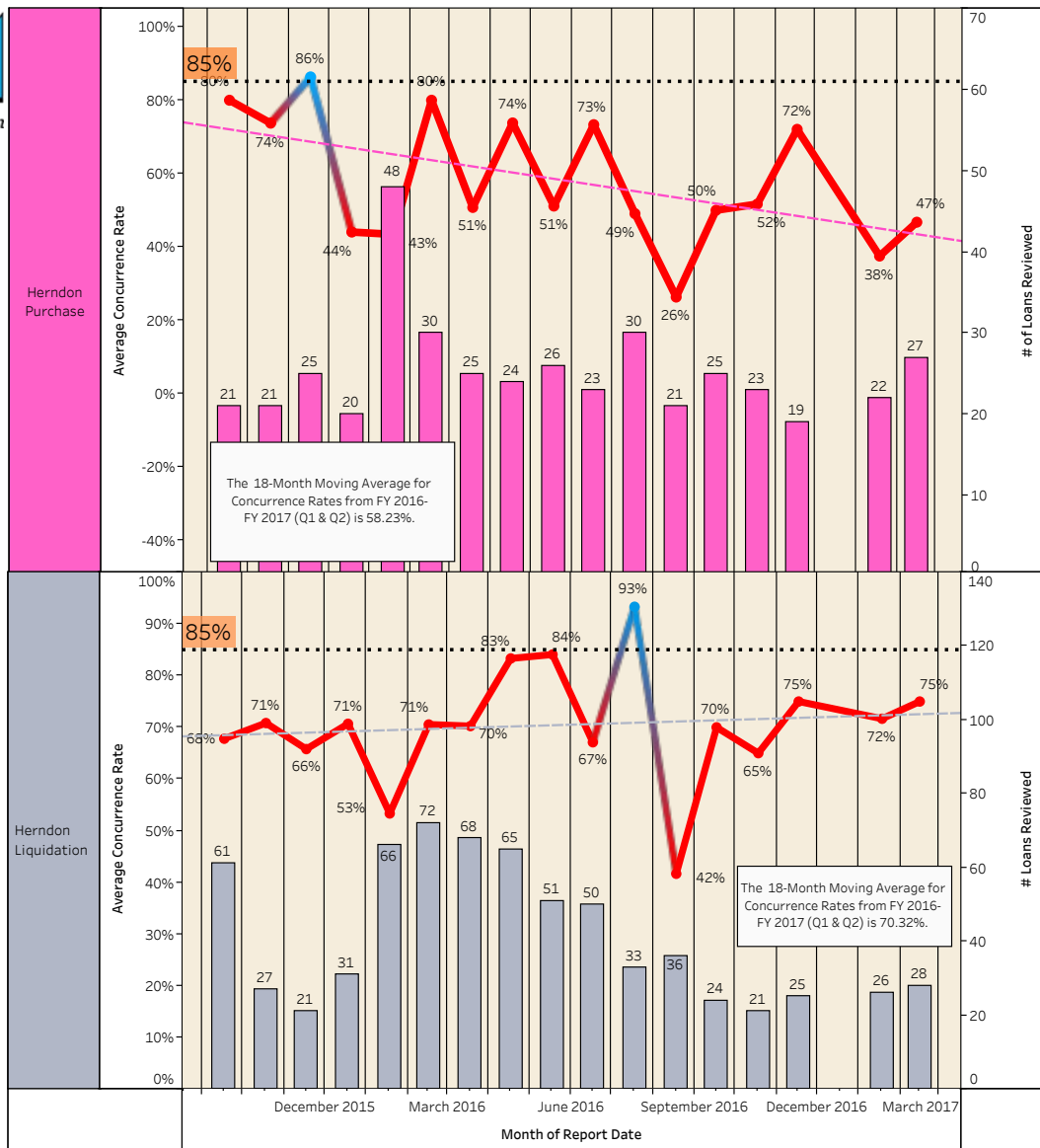
# NGPC 7(a) Purchase and Liquidation Concurrence Rate Performance FY 2016- FY 2017 (Q1 & Q2)



Quality Control has established an **85%** benchmark for concurrence rates across all 7(a) centers: LGPC, NGPC, FSC, and LRSC.

For **Loan Purchase Actions** during the time period FY 2016- FY 2017 (Q1 & Q2), **Herndon's** average concurrence rates were **below 85% benchmark** in all months except December 2015 (FY 2016 Q1). Average concurrence rates **increased dramatically** in March 2016 by **37%** (FY 2016 Q2), in October 2016 by **24%** (FY 2017 Q1), and in December 2016 by **20%** (FY 2017 Q1). Average concurrence rates **decreased dramatically** in January 2016 by **42%** (FY 2016 Q2), April 2016 by **29%** (FY 2016 Q3), August 2016 by **24%** (FY 2016 Q4), September 2016 by **23%** (FY 2017 Q1), and February 2017 by **34%** (FY 2017 Q2). As the linear dashed trend line indicates, **average concurrence rates** for Herndon **decreased on average** during this time period. The moving average for Herndon's average concurrence rates was **58.23%**.

For **Loan Liquidation Actions** during the time period FY 2016- FY 2017 (Q1 & Q2), **Herndon's** average concurrence rates were **below 85% benchmark** in all months except August 2016 (FY 2016 Q4). Average concurrence rates **increased dramatically** in March 2016 by **18%** (FY 2016 Q4), August 2016 by **26%** (FY 2016 Q4), and October 2016 by **28%** (FY 2017 Q1). Average concurrence rates **decreased dramatically** in February 2016 by **18%** (FY 2016 Q2), July 2016 by **17%** (FY 2016 Q4), and September 2016 by **51%** (FY 2017 Q1). As the linear dashed trend line indicates, **average concurrence rates** for Herndon **increased on average** during this time period. The moving average for NGPC's average concurrence rates was **70.32%**.

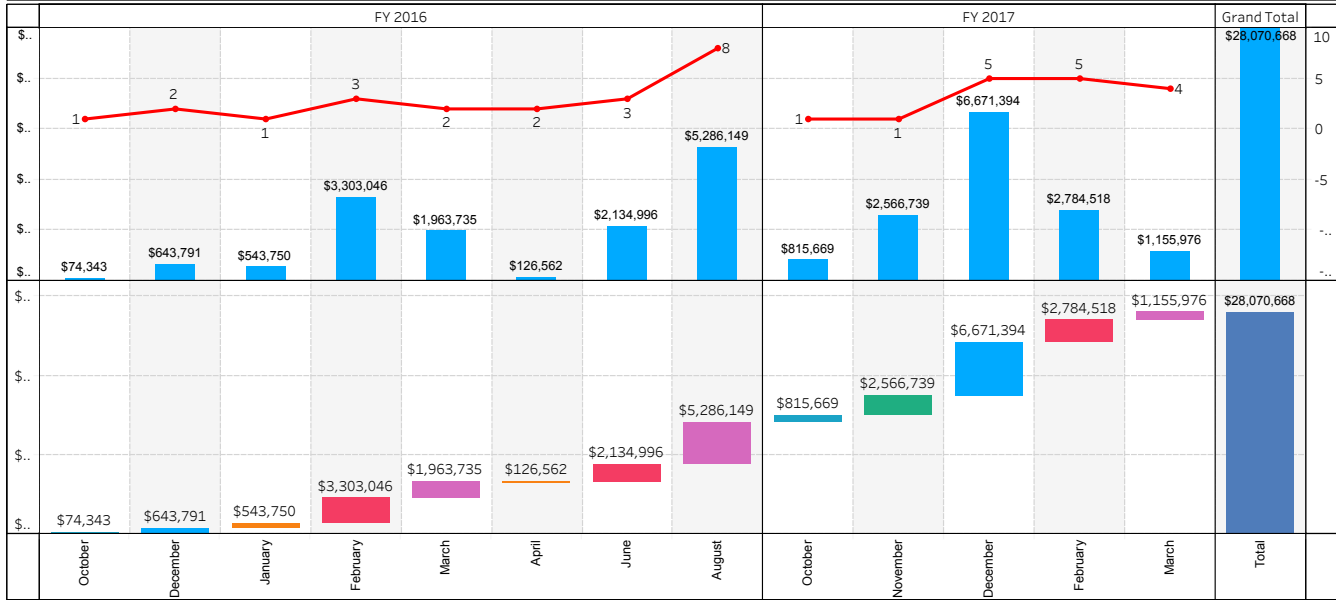


		# Concurr.	# Reviewed	Avg. Concurrence Rate
Herndon Purchase	FY 2016			
	October	13	21	80.0%
	November	17	21	73.8%
	December	19	25	86.4%
	January	11	20	44.0%
	February	19	48	43.4%
	March	20	30	80.0%
	April	16	25	50.8%
	May	19	24	73.8%
	June	18	26	51.1%
FY 2017	July	18	23	73.3%
	August	18	30	49.1%
	September	10	21	26.3%
	October	17	25	50.0%
	November	16	23	51.7%
	December	17	19	72.1%
	January	10	22	37.5%
	February	12	27	46.7%
	March			

		# Concurr.	# Reviewed	Avg. Concurrence Rate
Herndon Liquidation	FY 2016			
	October	23	61	67.8%
	November	13	27	70.8%
	December	8	21	65.8%
	January	14	31	70.7%
	February	28	66	53.3%
	March	42	72	70.5%
	April	44	68	70.2%
	May	45	65	83.3%
	June	37	51	84.1%
FY 2017	July	32	50	67.1%
	August	29	33	93.3%
	September	17	36	41.7%
	October	16	24	70.0%
	November	12	21	65.0%
	December	18	25	75.0%
	January	17	26	71.7%
	February	17	28	75.0%
	March			

# NGPC High Dollar Early Defaults Averted Improper Payments Trend Analysis: FY 2016- FY 2017 (Q1 & Q2)

## NGPC High Dollar Early Defaults Averted Improper Payments Trend Analysis: FY 2016- FY 2017 (Q1 & Q2)



### Measure Names

■ Number of QCR's  
■ SBA SHARE \$ Improper Payment (Averted)

### Month of Corrective Action Approval Date

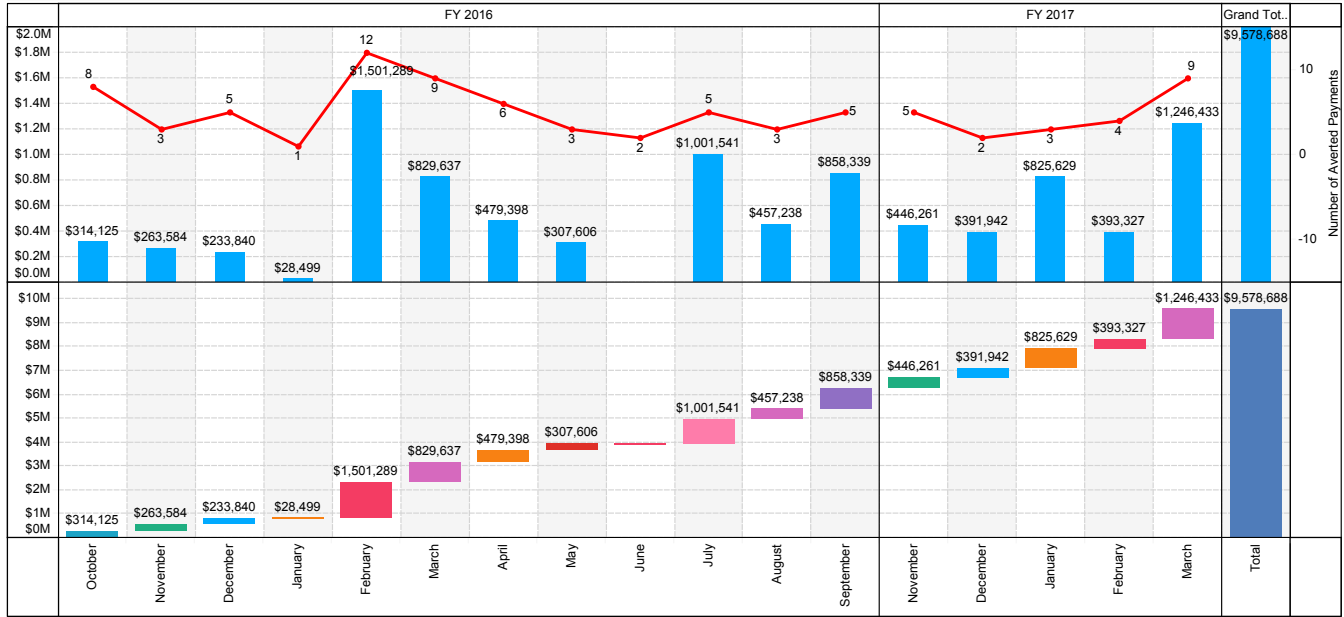
■ October ■ January ■ April ■ Total  
■ November ■ February ■ June  
■ December ■ March ■ August

## NGPC High Dollar Early Defaults Averted Improper Payments: FY 2016- FY 2017 (Q1 & Q2)

Year of Corrective Action Approval Date	Month of Corrective Action Approval Date	Action Reviewed	High/Medium/Low/Expedited	Number of QCR's	Net Principal Balance	SBA SHARE \$ Improper Payment (Averted)
FY 2016	October	Early Defaults - Greater than \$500,000	High	1	\$2,184,124	\$74,343
	December	Early Defaults - Greater than \$500,000	High	2	\$1,471,846	\$643,791
	January	Early Defaults - Greater than \$500,000	High	1	\$543,750	\$543,750
	February	Early Defaults - Greater than \$500,000	High	3	\$5,194,450	\$3,303,046
	March	Early Defaults - Greater than \$500,000	High	2	\$1,962,897	\$1,963,735
	April	Early Defaults - Greater than \$500,000	High	2	\$2,102,923	\$126,562
	June	Early Defaults - Greater than \$500,000	High	2	\$2,432,448	\$2,085,496
			Medium	1	\$536,443	\$49,500
FY 2017	August	Early Defaults - Greater than \$500,000	High	8	\$6,654,670	\$5,286,149
	October	Early Defaults - Greater than \$500,000	High	1	\$815,669	\$815,669
	November	Early Defaults - Greater than \$500,000	High	1	\$2,566,739	\$2,566,739
	December	Early Defaults - Greater than \$500,000	High	5	\$10,791,031	\$6,671,394
	February	Early Defaults - Greater than \$500,000	High	5	\$5,286,559	\$2,784,518
	March	Early Defaults - Greater than \$500,000	High	4	\$4,844,379	\$1,155,976
Grand Total				38	\$47,387,926	\$28,070,668

# NGPC Live Purchase Review Averted Improper Payments Trend Analysis: FY 2016- FY 2017 (Q1 & Q2)

## NGPC Live Purchase Review Averted Improper Payments Trend Analysis: FY 2016- FY 2017 (Q1 & Q2)



Measure Names  
■ Number of QCR's  
■ SBA SHARE \$ Improper Payment (Averted)

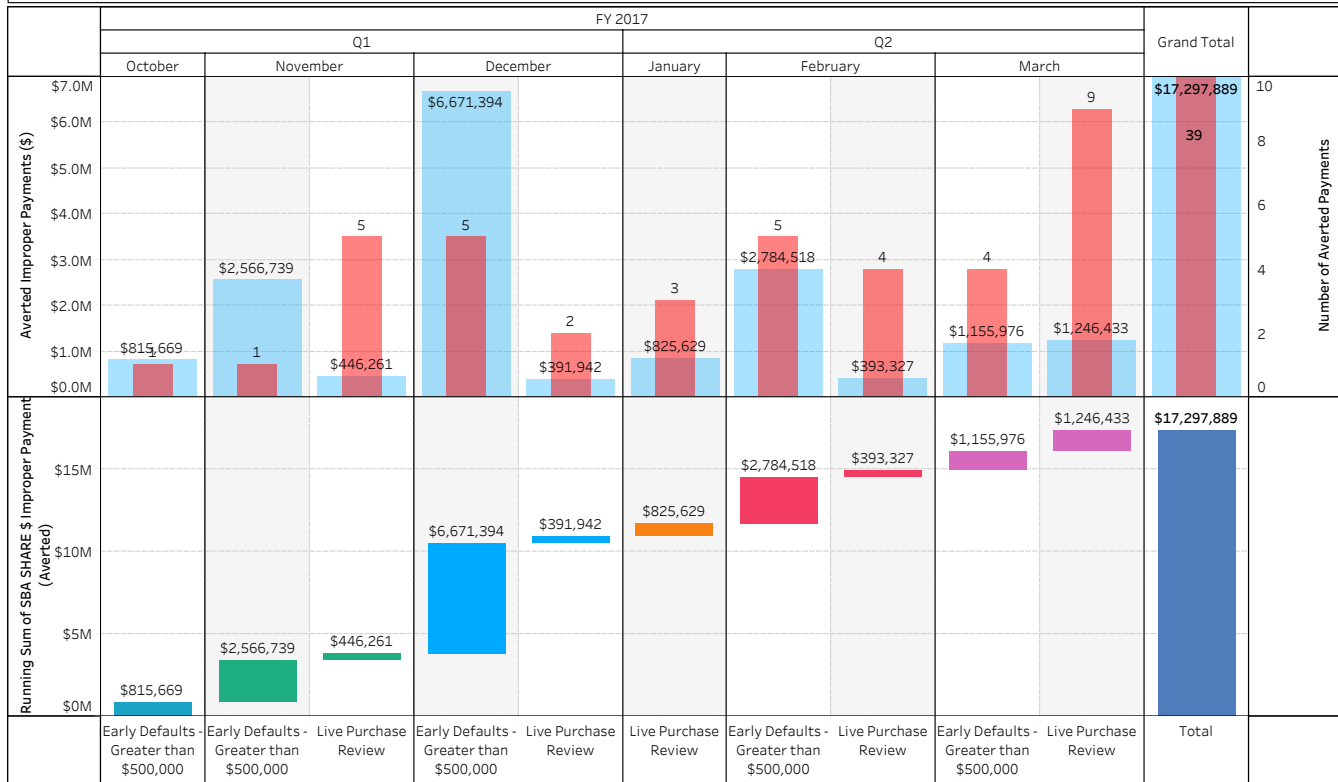
Month of Corrective Action Approval Date  
■ October ■ January ■ April ■ July ■ Total  
■ November ■ February ■ May ■ August  
■ December ■ March ■ June ■ September

## NGPC Live Purchase Review Averted Improper Payments: FY 2016- FY 2017 (Q1 & Q2)

Year of Corrective Action Approval Date	Month of Corrective Action Approval Date	Action Reviewed	High/Medium/Low/Expedited	Number of QCR's	Net Principal Balance	SBA SHARE \$ Improper Payment (Averted)
FY 2016	October	Live Purchase Review	High	1	\$583,948	\$99
			Low	2	\$173,289	\$90,287
			Medium	5	\$1,152,704	\$223,739
	November	Live Purchase Review	Medium	3	\$677,048	\$263,584
			December	Live Purchase Review	Expedited	2
	Low	2			\$166,841	\$86,022
	Medium	1			\$228,273	\$30,600
	January	Live Purchase Review	Expedited	1	\$28,499	\$28,499
	February	Live Purchase Review	Expedited	2	\$105,447	\$105,447
			Low	2	\$238,070	\$187,262
			Medium	8	\$2,763,092	\$1,208,580
	March	Live Purchase Review	Expedited	3	\$121,980	\$121,980
			High	1	\$1,254,203	
			Low	3	\$400,365	\$329,212
			Medium	2	\$758,497	\$378,445
	April	Live Purchase Review	Low	5	\$718,479	\$479,014
			Medium	1	\$107,440	\$384
	May	Live Purchase Review	Medium	3	\$728,755	\$307,606
	June	Live Purchase Review	High	1	\$745,530	
			Low	1	\$114,853	
	July	Live Purchase Review	Low	2	\$898,505	\$353,914
Medium			3	\$1,247,455	\$647,626	
August	Live Purchase Review	Low	1	\$133,952	\$133,952	
		Medium	2	\$656,860	\$323,286	
September	Live Purchase Review	High	1	\$76,152	\$76,152	
		Low	2	\$377,270	\$214,717	
		Medium	2	\$562,471	\$567,470	
FY 2017	November	Live Purchase Review	Expedited	1	\$40,352	\$39,879
			Low	2	\$199,979	\$85,889
			Medium	2	\$564,511	\$320,493
	December	Live Purchase Review	Low	1	\$180,784	\$180,784
			Medium	1	\$211,159	\$211,159
	January	Live Purchase Review	High	1	\$416,608	\$416,608
			Low	1	\$83,420	
	February	Live Purchase Review	Medium	1	\$409,021	\$409,021
			Low	1	\$204,148	\$204,148
	March	Live Purchase Review	Medium	3	\$1,332,330	\$189,179
Expedited			2	\$88,381	\$16,030	
Low			3	\$401,539	\$8,494	
Medium			4	\$1,714,630	\$1,221,909	
Grand Total				85	\$20,984,058	\$9,578,688

# NGPC Live Purchase Review & High Dollar Early Defaults Averted Improper Payments: FY 2017 (Q1 & Q2)

## NGPC Live Purchase Review & High Dollar Early Defaults Averted Improper Payments Trend Analysis: FY 2017 (Q1 & Q2)



### Measure Names

Number of QCR's  
SBA SHARE \$ Improper Payment (Averted)

### Month of Corrective Action Approval Date

October  
November  
December  
January  
February  
March  
Total

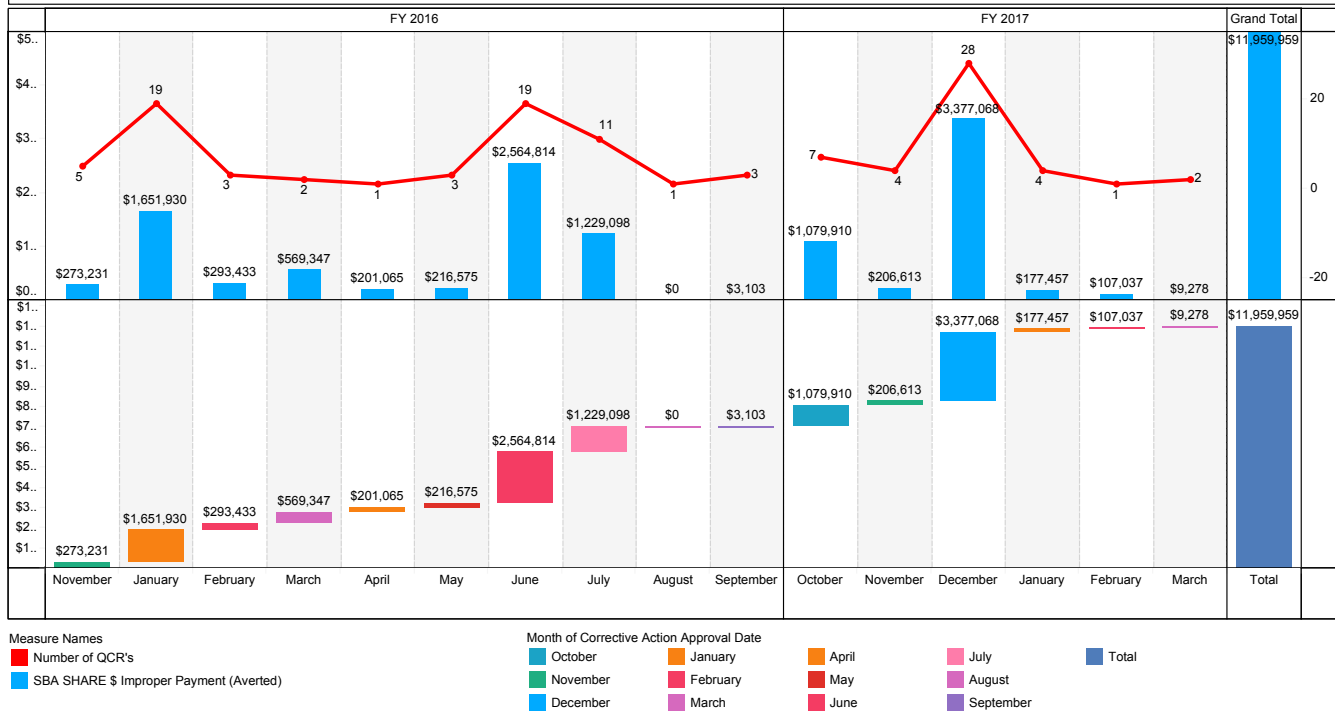
## NGPC Live Purchase Review & High Dollar Early Defaults Averted Improper Payments: FY 2017 (Q1 & Q2)

Year of Corrective Action Approval Date	Quarter of Corrective Action Approval Date	Month of Corrective Action Approval Date	Action Reviewed	High/Medium/Low/Expedited	Number of QCR's	Net Principal Balance	SBA SHARE \$ Improper Payment (Averted)
FY 2017	Q1	October	Early Defaults - Greater than \$500,000	High	1	\$815,669	\$815,669
		November	Early Defaults - Greater than \$500,000	High	1	\$2,566,739	\$2,566,739
			Live Purchase Review	Expedited	1	\$40,352	\$39,879
				Low	2	\$199,979	\$85,889
				Medium	2	\$564,511	\$320,493
		December	Early Defaults - Greater than \$500,000	High	5	\$10,791,031	\$6,671,394
			Live Purchase Review	Low	1	\$180,784	\$180,784
				Medium	1	\$211,159	\$211,159
	Q2	January	Live Purchase Review	High	1	\$416,608	\$416,608
				Low	1	\$83,420	
				Medium	1	\$409,021	\$409,021
		February	Early Defaults - Greater than \$500,000	High	5	\$5,286,559	\$2,784,518
			Live Purchase Review	Low	1	\$204,148	\$204,148
				Medium	3	\$1,332,330	\$189,179
		March	Early Defaults - Greater than \$500,000	High	4	\$4,844,379	\$1,155,976
			Live Purchase Review	Expedited	2	\$88,381	\$16,030
				Low	3	\$401,539	\$8,494
				Medium	4	\$1,714,630	\$1,221,909
Grand Total					39	\$30,151,237	\$17,297,889



# NGPC Liquidation Charge Offs Averted Improper Payments Trend Analysis: FY 2016- FY 2017 (Q1 & Q2)

## NGPC Liquidation Charge Offs Averted Improper Payments Trend Analysis: FY 2016- FY 2017 (Q1 & Q2)



## NGPC Liquidation Charge Offs Averted Improper Payments: FY 2016- FY 2017 (Q1 & Q2)

Year of Corrective Action Approval Date	Month of Corrective Action Approval Date	Action Reviewed	High/Medium/Low/Expedited	Number of QCR's	Net Principal Balance	SBA SHARE \$ Improper Payment (Averted)		
FY 2016	November	Charge off	Not Identified	2	\$215,814	\$215,814		
			High	2	\$785,854	\$42,417		
			Medium	1	\$119,151	\$15,000		
	January	Charge off	Not Identified	13	\$3,088,679	\$1,358,759		
			High	2	\$409,695	\$227,917		
			Low	4	\$201,764	\$65,254		
	February	Charge off	Not Identified	1	\$11,943	\$6,107		
			Low	1	\$15,618	\$9,786		
			Medium	1	\$277,540	\$277,540		
	March	Charge off	High	2	\$988,128	\$569,347		
FY 2017	October	Charge off	Not Identified	1	\$160,200	\$160,200		
			High	4	\$1,137,578	\$667,979		
			Low	2	\$251,731	\$251,731		
	November	Charge off	Low	4	\$316,103	\$206,613		
			December	Charge off	Not Identified	7	\$1,135,679	\$1,117,482
					Expedited	1	\$39,201	\$39,201
	High	15			\$3,855,219	\$1,980,607		
	Low	5			\$431,147	\$239,778		
	January	Charge off	Not Identified	1	\$89,522			
			High	2	\$942,170	\$155,697		
			Medium	1	\$21,760	\$21,760		
	February	Charge off	Low	1	\$107,037	\$107,037		
	March	Charge off	Not Identified	1	\$121,600	\$9,278		
			High	1	\$126,480			
Grand Total				75	\$14,849,613	\$7,745,305		