

9

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Reports

General information about COLSON reports

How are the names listed on COLSON reports to the CDCs?

COLSON reports will use loan names in the following priority on all reports **EXCEPT** the name used for tax reporting:

1. “Statement Name” identified by the CDC – taken from the *Servicing Agent Agreement*.
2. Borrower Name if “Statement Name” from the *Servicing Agent Agreement* is not filled in.
3. In the *504 Authorization* there is the name of the business that SBA will identify for its files on that loan.

What name will COLSON use for tax reporting?

COLSON will use the name listed on *IRS Form W-9* for tax reporting purposes. This name will be on the following reports:

1. Substitute *IRS Form 1098*
2. 1098 Worksheet
3. *IRS Form 1099 – INT* (See Chapter 10.)
4. 1099 Worksheet (See Chapter 10.)

What name will COLSON use on SBA’s copies of the reports?

COLSON reports will use the name of the borrower rather than the “Statement Name” in reports sent to SBA. The reports are identical in all other ways.

Reports

General information about COLSON reports

What is the “Unallocated Reserve” or “Escrow” column found on some reports?

This is an account category for any monies that are not applied to CSA fees, CDC fees, SBA fees, interest, principal or late fees on a loan.

503 loans

With some 503 loan payments there will always be an amount in this column after allocation for fees, interest and principal since the borrower’s payment remains constant, but fees disbursed to the CDC and CSA decline over time. There is no SBA fee on 503 loans.

In addition, if your 503 borrower wired monies to make up payment(s) that were delinquent, there could be a sum in this column because the amount wired was not sufficient to pay fees, accrued interest, principal and late fees due.

Chapter 10 of this manual discusses 503 loans in depth. Chapter 7 of this manual discusses how payments from borrowers are applied.

504 loans

The “Unallocated Reserve” or “Escrow” account was established as an account where monies would be placed if monies paid by a borrower did not fully satisfy all payment categories.

There will be no amount in this category if your 504 borrower remains current for the life of the loan. However, if your 504 borrower wired monies to make up payment(s) that were delinquent, there could be a sum in this column because the amount wired was not sufficient to pay fees, accrued interest, principal and late fees due. Chapter 7 of this manual discusses how payments received from borrowers are applied.

If there is a sum in this column, it is the CDC’s responsibility to contact COLSON and help determine how excess funds in this account should be applied to clear this account. If needed, COLSON will perform a “quality review” on the account.

Reports

Chart of general descriptions of the reports

Table 9-1: General Description of Colson Reports							
Name of Report	What is it?	Who receives it?	When is it available online or sent?	“As of” Date	How often is it available	504	503
Application of Funds Report	Application of borrower payments received	CDC	Available online second business day of the month	Last business day of the prior month	Monthly Online	X	X
Status of Portfolio Report	Lists payment status of each loan in CDC portfolio	CDC, SBA Central Office CLSC District Office	Available online second business day of the month	Last business day of the prior month	Monthly Online	X	X
CDC Delineation of Fees Statement	Servicing fees to the CDC from borrower payments	CDC	2 nd business day of month Every Friday Last business day of month If ACH credit one day later	Payment received from last report through prior day	Monthly (up to 6 a month) If via ACH credit online. If not mailed	X	X
Individual Borrower Activity Report	Escrow Account activity of 503 loans	CDC Borrower	The week of the 15 th day in the month following the end of each quarter	Last day of prior quarter	Quarterly January April July October Mailed		X
Float Check Statement	Money paid to CDC as a result of interest	CDC	2 nd week of May 2 nd week of	As of March 31 September	Semi-annually	X	

Table 9-1: General Description of Colson Reports

Name of Report	What is it?	Who receives it?	When is it available online or sent?	“As of” Date	How often is it available	504	503
	earned on payments and prepayments		November If ACH credit one day later	30	If via ACH credit online. If not mailed		
Substitute IRS Form 1098	Mortgage interest paid by borrower	Non-exempt borrowers	By January 31	December 31 of the previous calendar year	Annually Mailed	X	X
1098 Worksheet	Lists all borrowers. Those receiving FORM 1098 from COLSON are marked “Y”	CDC	By January 31	December 31 of the previous calendar year	Annually Mailed	X	X
IRS Form 1099 – INT	Mortgage interest earned by 503 borrowers on the escrow account	Non-exempt borrowers	By January 31	December 31 of the previous calendar year	Annually Mailed		X
1099 Worksheet	Lists all 503 borrowers. Those receiving FORM 1099-INT from COLSON are marked “Y”	CDC	By January 31	December 31 of the previous calendar year	Annually Mailed		X
Borrower’s Funding Balance	Balance to borrower after funding	Borrower	Within 48-hours after funding	Funding date	Month loan was funded	X	

Table 9-1: General Description of Colson Reports

Name of Report	What is it?	Who receives it?	When is it available online or sent?	“As of” Date	How often is it available	504	503
Due Statement							
CDC Funding Fee Statement	List of loans funded that month and the corresponding monies sent to the CDC	CDC	Available online three business days after funding	Funding date	Any month in which the CDC has a loan funded Online	X	
Late Payment Report – 5th of the Month	Borrower(s) whose payments were not received by the 5 th of the month	CDC	Available two business day after the 5 th of the month	5 th of the month	Problem This month’s payment not received Online	X	X
Late Payment Report – 15th of the Month	Borrower(s) whose payments were not received by the 15 th of the month	CDC SBA District Office CLSC	Available two business day after the 15 th of the month	15 th of the month	Problem This month’s payment not received online	X	X
Late Fees Statement	Late fees collected	CDC	Second week of the month	Prior month	Problem Late fee(s) paid by the borrower(s) Mailed	X	X
ACH Rejects	Borrower(s) whose automatic debits rejected	CDC	Within 48-hours of receipt of reject notification	Date of reject notice from the bank	Problem ACH rejected.	X	
45 Days Delinquent Report	Loans 45 days late with no Deferment	CDC SBA Central	First business day of the month	Prior day	Problem Watch list for	X	X

Table 9-1: General Description of Colson Reports							
Name of Report	What is it?	Who receives it?	When is it available online or sent?	“As of” Date	How often is it available	504	503
	Plan	Office District Office CLSC			debenture purchase for nonpayment Online		
65 Days Default Report	Loans 65 days late with no Deferment Plan	CDC SBA Central Office District Office CLSC	Business day after the 20 th of the month	Prior day	Problem Debenture is about to be purchased by SBA for nonpayment Online	X	X

Reports

Application of Funds Report

06/01/07		PAGE 1							
COLSON SERVICES CORP.									
503/504 PROGRAM		MAY 2007		APPLICATION OF FUNDS			RPT: BGPP151C		
CDC NAME: Your CDC Name									
STATEMENT NAME	LOAN NUMBER	PAYMENT REC. DATE	SBA FEE	CSA FEE	CDC FEE	INTEREST APPLIED	PRINCIPAL APPLIED	LATE FEE	DIFFERENCE TO ESCROW
FIRSTART SERVICE	2222223002	20070504	458.65	107.92	1,079.17	4,200.30	3,911.43	0.00	0.00
DUKE AUTO PARTS	2248922004	20070504	338.23	43.64	436.42	2,300.34	2,192.87	0.00	0.00
E&A SPECIALTIES	6755252005	20070504	197.63	46.50	465.00	2,031.34	1,631.41	218.59	46.92
IND SEPTIC SYSTEM	4997862009	20070504	138.63	32.67	326.67	1,427.11	1,153.20	0.00	0.00
M&M ENTERPRISES	6198782001	20070504	108.31	26.42	264.17	1,113.68	969.43	0.00	139.35
ROBERTSON CORP	4285662010	20070504	242.16	84.08	840.83	4,836.26	2,256.34	412.98	0.00
P LONG DBA PAULS	8977462008	20070504	201.88	47.50	475.00	1,802.14	1,771.77	0.00	0.00
CDC TOTAL LOAN(S)	SBA FEE	CSA FEE	CDC FEE	INTEREST APPLIED	PRINCIPAL APPLIED	LATE FEE	DIFFERENCE TO ESCROW		
215	37,873.51	11,570.60	109,555.02	599,097.36	397,822.60	4,367.01	3,054.63		

Table 9-2: Application of Funds Report

Name of Report	What is it?	Who receives it?	When is it available?	“As of” Date	How often is it available?	504	503
Application of Funds Report	Application of borrower payments received during the preceding month	CDC	Second business day of the month	Last business day of the prior month	Monthly	X	X

Reports

Application of Funds Report

Application of Funds Report is a monthly report that every CDC that has a portfolio of loans it is servicing must download from the Colson Website. It is available the second business day of each month and shows how funds were applied, or allocated, from each borrower payment received the previous month.

1. Only those borrowers making a payment that month will be listed. The report will also indicate rejected payments and adjustments (i.e. prepayment).
2. Borrower's names are listed in alphabetical order according to the first letter of the name you designated as the "Statement Name" on the *Servicing Agent Agreement* at the time you closed the loan.
3. The loan number 10-digit SBA loan number assigned to the loan at the time the *Authorization for Debenture Guarantee* was issued. COLSON enters the number from the *Servicing Agent Agreement*.
4. The "Payment Received Date" is the date monies are available for application. The date will vary according to how the payment was made by the borrower.
 - a. ACH payments: The 2nd business day of the month.
 - b. Wire payments: The day after the wire is received.
 - c. Check payments: Two (2) business days after receipt.
5. If an ACH debit rejects, the date in this column is the date the ACH debit was **attempted**.
6. The next columns show that portion of the borrower's payment that was applied to fees, interest and principal and the difference to the escrow account.

The funds are applied in the following order

The *Application of Funds Report* shows monies received on a loan applied in the following order:

1. Due from (Name of Borrower) Receivable, if applicable (applied, but not specifically shown on this report).

Reports

Application of Funds Report

2. CSA fee.
3. CDC fee.
4. SBA fee, if applicable.
5. Interest.
6. Principal.
7. Late fees.
8. Difference to Escrow.

The “Difference to Escrow” Account will show “0” unless

- This is a 503 loan where there may always be an amount in this column. See Chapter 10 of this manual for a detailed discussion on 503 loans.
- The borrower is current, but sent in an amount greater than the required monthly payment.
- The amount sent by the borrower was sufficient to make the monthly payment, but was not sufficient to close out a late fee.

Note: Read Chapter 7 of this manual for an explanation of how borrower payments are applied.

The *Status of Portfolio Report* will give you the total number of loans in your servicing portfolio.

If there is a SMALLER total number of loans on the *Application of Funds Report*, you have borrowers whose payments are in arrears.

Reports

Application of Funds Report

Will this report show late fees OWED by a borrower?

No. The *Status of Portfolio Report* and other COLSON reports will show late fees owed by a borrower.

Will this report show late fees PAID by a borrower?

Yes. The report will show late fees **applied** at the time the late fees are paid by the borrower.

What do all “0.00’s” mean?

Keep in mind that this report shows application of fees, principal, interest and any excess funds after these applications. If there is payment of some kind that is not applied to these entries, the statement name will appear on the application of funds, but no amounts will show other than “0.00.”

For example, if a borrower sent in a payment amount that only covered Due from [*Name of Borrower*] Receivable, but not current month’s fees, interest due or principal, zeroes only would appear in each of the *Application of Funds Report* categories.

Reports

Application of Funds Report examples

What will the *Application of Funds Report* show when an ACH payment rejects and the borrower does not wire his/her payment that month?

The application of funds still appears for that borrower in the *Application of Funds Report* if the payment method calls for fees to be advanced by COLSON. However, the content of certain columns will differ:

ACH reject – borrower does NOT wire payment

Borrower Name	Payment Received Date	SBA Fee	CSA Fee	CDC Fee	Interest Applied	Principal Applied	Difference To Escrow Account
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Example:

Best Foods	March 2, 2007 20070302	0.00	61.17	305.83	0.00	0.00	0.00
Borrower Name	Date the ACH was attempted	No SBA fee on this loan	1 month's fee applied	1 month's fee applied	0.00	0.00	0.00

- Payment Received Date – the ACH debit was **attempted** on March 02, 2007.
- CSA Fee and CDC Fee show amounts applied since \$61.17 applied to the CSA Fee and \$305.83 paid to the CDC for the CDC Fee for servicing. Since the loan was approved prior to the requirement for an SBA Fee, no SBA fee is listed.
- Interest Applied will show 0.00
- Principal Applied will show 0.00
- Difference to Escrow will show 0.00
- **Due from [Best Foods] Receivable.**

A **receivable is created for the fees when the payment rejects** since these fees are disbursed by COLSON prior to a reject notification. The next payment made by the borrower must **FIRST satisfy the receivable** for this borrower.

The **next payment the borrower makes will be applied first to the receivables**, then to the standard payment applications (fees, then interest, then principal and last to late fees.)

Reports

Application of Funds Report examples

Will the *Application of Funds Report* entries look different if the ACH rejects two consecutive months and no payments are made either month?

No. The report will look identical to the report example for *Best Foods* on the previous page since this report shows how funds are applied for the **prior month's payment only**.

Borrower Name	Payment Received Date	SBA Fee	CSA Fee	CDC Fee	Interest Applied	Principal Applied	Difference To Escrow Account
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Example:

Best Foods	April 4, 2007 20070404	0.00	61.17	305.83	0.00	0.00	0.00
Borrower Name	Date the ACH was attempted	No SBA fee on this loan	1 month's fee applied	1 month's fee applied	0.00	0.00	0.00

- Payment Received Date – the ACH debit was **attempted** on April 04, 2007.
- Providing the borrower has been current, **COLSON will debit the next month after the month in which a first ACH reject occurs.**
- If a reject occurs a second consecutive month, the borrower is automatically taken off ACH and must wire payments from then on until the CDC provides assurances that whatever problems causing the ACH rejects have been corrected and a new ACH form with voided check have been sent to COLSON for that borrower. The CDC must contact the borrower and make sure that the issues are corrected before forwarding a new ACH form to COLSON.
- The *Status of Portfolio Report* and other COLSON reports show back payments owed for the previous months.

Reports

Application of Funds Report examples

What will the *Application of Funds Report* show if a payment is wired within the month that the ACH rejected?

There will be two lines for that loan on the report if a borrower wires his/her payment during the month in which an ACH rejects. The first time for the loan will show fees applied, but “0” in all remaining columns. A second line for the same loan will appear on the report showing the following:

- CSA Fee, CDC Fee and SBA Fee (if applicable) will show “0” since they were applied prior to the ACH reject.
- Interest Applied will show the amount of the payment applied to interest.
- Principal Applied will show the amount of the payment applied to principal.
- Difference to Escrow Account will show an amount only if funds in excess of all fees and payments applied are left after all monies are applied.

ACH Reject – borrower wires payment at any time during the month

Borrower Name	Payment Received Date	SBA Fee	CSA Fee	CDC Fee	Interest Applied	Principal Applied	Difference To Escrow Account
LINE 1	Date the ACH was attempted	Fee Applied	Fee Applied	Fee Applied	0.00	0.00	0.00
LINE 2	Date the wire was received	0.00	0.00	0.00	Interest Applied	Principal Applied	Excess monies left after funds are applied.

Example: *James A. Davis*

James A. Davis	March 02, 2007 20070302	0.00	61.17	305.83	0.00	0.00	0.00
James A. Davis	March 14, 2007 20070314	0.00	0.00	0.00	2,477.01	665.56	0.00

If called for in the 504 Note, and the borrower wires the payment after the 15th of the month (between the 16th and the last day), a late fee is assessed.

Reports

Application of Funds Report examples

What will the *Application of Funds Report* show if . . . ?

- ACH Rejects two (2) consecutive months; and,
- The borrower wires three (3) monthly payments on June 2, 2007 – the first business day of the third month.

Borrower Name	Payment Received Date	SBA Fee	CSA Fee	CDC Fee	Interest Applied	Principal Applied	Difference To Escrow Account
James A. Davis	June 2, 2007 20070602	0.00	31.17	155.83	7,444.39	1,983.32	

Due from [*Name of Borrower*] Receivable

- Receivable is satisfied first. There is a Due from *James A. Davis* Receivable in the amount of two (2) months CSA Fee and two (2) months CDC Fee.
- **Reminder:** Due from [*Name of Borrower*] Receivable is not shown on this report.
- The balance of the monies available after payment of this receivable follows the order of application: SBA fee, if applicable, CSA fee, CDC fee, Interest, Principal, Late fees and Difference to Escrow.

CSA Fee, CDC Fee and SBA Fee

- CSA Fee and CDC Fee due June 2, 2007 are applied.
- SBA Fee is not applicable in this example.
- If there is a balance available, it is applied next to the interest.

Interest

- Interest due is calculated.
- If the interest due is less than the balance available for interest, the monies can be applied to principal.
- If the interest due is greater than the balance available for interest, the number of days interest that can be paid is calculated, leaving an unpaid accrued interest balance, unpaid principal and unpaid late fees. The *Status of Portfolio Report* will show what the borrower owes to become current.
- In this example, all accrued interest is satisfied.
- If there is a balance available, it is applied next to the principal.

Principal

- Monies are applied to principal until the actual *504 Note* balance matches the *504 Note Amortization Schedule*.
- If the principal is satisfied, the balance is applied to late fees.
- If the principal is not satisfied, the remaining principal needed to become current and late fees due are shown on the *Status of Portfolio Report*.
- In this example, the payment sent is not enough to bring the principal current.

Difference to Escrow Account

- There will be an amount in this column only if there are excess monies left after all monies, including to late fees applied.

Reports

Application of Funds Report examples

Calculation for application of funds for payment wired 6/2/07

		Payment Application	Balance
Wire payment received by COLSON 6/2/07			9,988.71
Payment of April CSA Fees Receivable applied		(31.17)	
Balance available			9,957.54
Payment of April CDC Fees Receivable applied		(155.83)	
Balance available			9,801.71
Payment of May CSA Fees Receivable applied		(31.17)	
Balance available			9,770.54
Payment of May CDC Fees Receivable applied		(155.83)	
Balance available			9,614.71
Payment of June CSA Fees Receivable applied		(31.17)	
Balance available			9,583.54
Payment of June CDC Fees Receivable applied		(155.83)	
Balance available			9,427.71
Accrued Interest applied (90 days at 8.091%)		(7,444.39)	
Balance available for principal			1,983.32
Principal balance last current 2/28/07	368,033.15		
Principal Balance Amort Schedule 5/31/07	366,036.43		
Principal needed to become current	1,996.72	(1,983.32)	
Balance available			(13.40)
Total Due from James A. Davis to Become Current			
Balance due to bring principal current			13.40
Late fees (March 16 th and April 16 th) due @ .5% of monthly Payment or \$100 whichever is greater			332.96
Total Due			346.12

Is this borrower current?

No. The borrower should have wired a larger amount than three monthly payments because he/she owes accrued interest. Since there was sufficient money to bring the principal current, if the borrower does not pay the remaining principal (\$13.40) by the 15th of the month, another late fee will be charged.

The CDC needs to let the borrower know how much money should be wired to become current.

In this example, the *Status of Portfolio Report* for the month ending June 30th would reflect additional principal of \$13.40 and the late fees of \$332.96 (since the borrower wired more than the required monthly payment a late fee was not assessed for June) for this borrower if the loan is not brought current by the 15th of the month.

Reports

Status of Portfolio Report

This is a monthly report showing the payment status of each loan in a CDC's portfolio. It is available and must be downloaded from the Colson website on the second business day of the month and reflects all activity as of the last business day of the prior month.

COLSON SERVICES CORP.													PAGE 2 of 2	
STATUS OF PORTFOLIO – 503/504 PROGRAM														
CDC REPORT Date: 06/01/07 As of 05/31/07														
NUMBER OF MONTHS DELINQUENT = # Over nine months delinquent= *														
L =Late Fee Only D=Deferred= L C=Catch Up Period P=Auto Paydown A=Five Year Break														
CDC: 01-001 Mind Certified development Company														
STATEMENT NAME	LOAN PRM NUMBER	ISSUE DATE	MAT DATE	LAST PAID	LOAN AMT	MONTHLY PAYMENT	FEES/RSV	INTEREST	PRINCIPAL	LATE	TOTAL DUE	ACTUAL BAL AT MAY 31	STATUS	
ABC DAY CARE	3 1222223010	08/85	08/05	05/07	236	2,493.77	122.91	920.36	1,450.50	124.69	2,618.46	104,280.39	L	
ASPEN INC	4 1111113005	01/92	01/12	05/07	749	6,427.95	324.83	3,943.09	2,160.03	0.00	6,424.95	616,910.32		
FRANK'S AUTO	4 4444443004	12/91	12/11	05/07	182	1,620.08	79.55	1,027.71	512.92	0.00	1,620.18	150,893.36	L	
JASPER PUMPS	3 6666663002	10/94	10/14	05/07	506	4,598.78	253.00	3,233.86	111.92	229.94	4,828.72	463,414.73	L	
NEWPORT INC	4 5555553001	01/98	01/18	05/07	840	6,613.46	507.50	4,282.02	1,823.94	0.00	6,613.46	830,787.20		
NOKE'S	4 4444203003	02/91	02/11	05/07	616	613.60	273.66	3,931.84	807.56	0.00	613.60	495,038.54		
NOKE'S EXPANSION	4 4999993009	04/93	04/13	05/07	1,000	875.03	500.23	5,214.90	360.13	0.00	875.30	932,204.03	L	
SOLAR ENERGY INC	4 7777773003	03/97	03/17	05/07	536	4,602.78	379.67	3,127.21	1,095.90	230.14	4,832.92	520,046.16	L	
TUBS TRUCKING	4 9999993006	03/97	03/17	05/07	571	4,843.85	344.98	3,331.41	1,167.46	0.00	4,843.85	554,004.45		
CDC	TOTAL LOAN	MONTHLY		FEES/RSV		INT.	PRI.	LATE	TOTAL	ACTUAL				
TOTAL LOAN(S)	AMOUNT	PAYMENT							DUE	BALANCE				
37	16,507,000.00	602,200.03		7,183.67		178,707.56	145,861.94	584.77	332,337.94	14,223,745.60				

STATEMENT NAME

- From the *Servicing Agent Agreement*.
- The names are in alphabetical order according to the Statement Name.

PRM

- 503 loans are denoted by a "3"
- 504 loans are denoted by a "4"

LOAN NUMBER

- The 10-digit SBA loan number for this loan.

ISSUE DATE

- Date of the debenture funding.

MAT DATE

- The month and year the loan matures.

LAST PAID

- The month and year the borrower made most recent payment.

Reports

Status of Portfolio Report

LOAN Amt.

- The original 504 loan/debenture amount expressed in thousands.

MONTHLY PAYMENT

- The scheduled monthly payment based on the *Note Amortization Schedule* for this loan unless an adjustment was necessary at any five (5) year anniversary.

FEES/RSV

- Total amount of fees needed to be considered current.

INTEREST

- Total amount of interest needed to be considered current.

PRINCIPAL

- Total amount of principal needed to be considered current.

LATE

- Total amount of the late fees due.

TOTAL DUE

- The sum of fees/reserve, interest, principal and late fees due by the 15th of the month to be considered current.
- The borrower is current if the **TOTAL DUE** column equals the **MONTHLY PAYMENT** column.

ACTUAL BAL AT (as of date)

- The actual principal balance of the loan as of the date on the third line of report heading.

CODES IN FAR RIGHT COLUMN

- **L:** Borrower owes late fee(s)
- **D:** Borrower is on an SBA-approved deferment plan
- **C:** Borrower is in a catch-up period following a deferment plan
- **P:** This is a 503 loan approaching payment in full and the borrower has elected to apply the balance of his/her reserve/escrow account to pay the loan in full.
- **A:** Borrower is at a 5-year anniversary
- **#:** A number shows the number of months the borrower is delinquent
- ***:** Borrower is over 9-months delinquent on 504 Loan payments

TOTALS

- The bottom line of the report totals all columns.

Reports

Status of Portfolio Report – NON Current

This is a monthly report showing the payment status of each loan in a CDC's portfolio that was not current (except late fees) as of the last business day of the prior month. It is available and must be downloaded from the Colson website on the second business day of the month.

COLSON SERVICES CORP.													PAGE 2 of 2	
STATUS OF PORTFOLIO – 503/504 PROGRAM														
NON CURENT Date: 06/01/07 As of 05/31/07														
NUMBER OF MONTHS DELINQUENT = # Over nine months delinquent= *														
L =Late Fee Only D=Deferred= L C=Catch Up Period P=Auto Paydown A=Five Year Break														
CDC: 01-001 Mind Certified development Company														
STATEMENT NAME	LOAN PGM NUMBER	ISSUE DATE	MAT DATE	LAST PAID	LOAN AMT	MONTHLY PAYMENT	FEES/RSV	INTEREST	PRINCIPAL	LATE	TOTAL DUE	ACTUAL BAL AT MAY 31	STATUS	
A & L MASONRY	4 1222223010	01/97	01/17	02/06	206	1,746.59	1,720.98	16,853.88	6,090.46	1,300.69	25,965.32	200,168.78	*	
Long LLC	4 1111113005	03/97	03/17	10/06	606	5,582.64	4,406.18	20,987.47	7,776.41	1,395.65	34,565.71	581,692.72	5	
RONALD BURGER	4 4444443004	08/97	08/17	03/07	240	2,160.00	320.00	2,466.55	1,542.33	216.02	4,544.90	231,007.61	2	
CDC TOTAL: 01-001		3 LOAN(S)			1,052		6,447.16		15,409.20		65,075.93			
						9,489.33		40,307.90		2,911.67		1,012,869.11		

Non Current

- This report will be available **ONLY** if the CDC has loans that are not current excluding late fees.
- This report separately identifies those borrowers that are not current to bring these loans to the attention of the CDC.
- The columns of this page(s) are identical to the regular *Status of Portfolio Report*.
- The calculation for number of payments the borrower is in arrears is done in the following way:

The total amount of money the borrower must wire to become current minus late fees divided by the monthly payment amount equals the number of payments in arrears; or,

$$\frac{\text{Total Due minus late Fees}}{\text{Monthly Payment}} = \text{Number of payments in arrears}^*$$

* - This number is always rounded UP to the next number.

Reports

CDC Payout Statement

If a CDC receives their fees via ACH Credit the statement is available one business day after the dates listed below and must be downloaded from the Colson website. If they receive a check the report will be mailed with the check.

The *CDC Payout Statement* is generated at the following times each month:

- 2nd business day of the month
- Every Friday of the month
- Last business day of the month

COLSON SERVICES CORP. 101 Barclay Street, 8th Floor East NEW YORK, NY 10286				
Payout Statement - DATE REPORT GENERATED				
CDC NAME				
CDC STREET ADDRESS				
CDC CITY, STATE, ZIP CODE				
DEAR CDC:				
THIS STATEMENT IS A DELINEATION OF FEES THAT ARE BEING REMITTED TO YOU AS A RESULT OF THE BORROWER PAYMENTS THAT HAVE BEEN RECEIVED BY THE CSA SINCE YOUR LAST STATEMENT.				
IF YOU HAVE NOT YET RECEIVED An ACH credit FOR THE TOTAL OF THE COLUMN TITLED CDC FEE, A CHECK FOR THAT AMOUNT IS ENCLOSED.				
LOAN NUMBER	STATEMENT NAME	LOAN AMOUNT	CDC SBA Fee Withheld	CDC Fee
1234567890	MIND MANUFACTURING	1,000,000.00		666.67
3215767890	INTERSTATE HOLDINGS	538,000.00	56.04	280.21
	CDC SBA FEE WITHHELD			
Length of this report will be determined by the size of the portfolio.				
2345678901	MIND YOUR BUSINESS	500,00.00		666.67*
CHECK or ACH Credit FOR:				12,557.67*
* - INDICATES THAT THIS AMOUNT INCLUDES MORE THAN ONE MONTH'S FEES				

This report lists, on a loan-by-loan basis, all servicing fees paid to the CDC from borrower payments. If some loans show a “CDC SBA Fee Withheld,” this fee (1/8 of 1%) is required on loans approved after October 13, 1995. Loans approved prior to this date do not require payment of this fee. If all borrowers are current and on ACH with no ACH rejects for the month, the CDC will receive this statement once. If borrowers pay late, the CDC will receive more than one statement. It is possible for a CDC to receive as many as six (6) *CDC Payout statements* in a given month.

If a CDC receives more than one statement in a month, the statement lists CDC Fees for any payment received from the last statement through the day prior to this statement date.

This statement either has a check attached, or if the CDC has the servicing fee wired, the ACH Credit total will match the wire transfer on the CDC’s bank statement.

Reports

Float Check Statement

If a CDC receives their fees via ACH Credit the statement is available and must be downloaded from the Colson website. If they receive a check the report will be mailed with the check.

COLSON SERVICES CORP. CENTRAL SERVICING AGENT 503/504 PROGRAM 101 Barclay Street; 8th Floor East NEW YORK, NY 10286	
Semi-Annual Float Interest payment for April 1 thru September 30, 2007 (or October 1 thru march 31)	
CDC NAME CDC STREET ADDRESS CDC CITY, STATE, ZIP CODE	
DEAR CDC:	
PRO RATA SHARE OF THE INTEREST EARNED ON your borrower's monthly payments	\$ 51,173.02
PRO RATA SHARE OF THE INTEREST EARNED ON your borrower's monthly prepayments	\$ 12,345.67
Balance due to the CDC resulting from loan prepayments	\$ 3,456.78
TOTAL:	\$ 66,975.47
THE CHECK FOR THIS AMOUNT IS ENCLOSED. Or An ACH credit for the above amount has been issued.	
THE PRO RATA calculation is BASED ON THE AVERAGE DAILY BALANCES MAINTAINED BY borrower's during current period.	
IF COLSON CAN BE OF FURTHER ASSISTANCE TO YOU, CALL YOUR CUSTOMER SERVICE REPRESENTATIVE AT 1-800-225-4285.	
VERY TRULY YOURS, COLSON SERVICES CORP.	

This semi-annual statement and payment is generated by COLSON in May and November. It reflects a six-month period ending 3/31 for the payment made in May, and 9/30 for the payment made in November.

The float payment represents your CDC's portion of the interest earned on the float for 504 loans.

Reports

Float Check Statement

What is the “float?”

This is the interest earned on monies placed into the 504 Master Reserve Account escrow (MRA) for 504 loans. This account is combined for all 504 loans. Monies in this account come from several sources.

What makes up the “float?”

1. **Monthly principal and interest payments.** When the borrower pays the 504 Loan monthly payment, COLSON disburses the fees for the CSA, CDC and SBA (if SBA fees apply). The balance – principal payment and interest payment – is placed into the MRA. Payments of principal and interest are removed from this account and disbursed to the Trustee for payment to the investors at the semi-annual payment date for each loan. While the monies are in the MRA, they earn interest from the date of receipt to the date of disbursement to the Trustee. Therefore, the average daily MRA balance on each loan is affected by whether your borrower pays on time, misses payments, etc.
2. **Prepayments**
 - a. **When prepayment monies are wired.** A 504 loan may be prepaid at any time by a borrower. However, the debenture can only be prepaid on any of its semi-annual prepayment dates. If a borrower prepays months in advance of the debenture’s semi-annual payment date, the money wired to COLSON is placed into the MRA. While the money is in the MRA, it earns interest from the date of receipt to the date of disbursement to the Trustee on the prepayment date for the debenture. Therefore, the average daily MRA balance is affected by when the prepayment monies are received. It has little impact if the prepayment monies are received within two weeks of the semi-annual debenture payment date. The further in advance of the semi-annual payment date the prepayment monies are received, the greater the balance in the account for this loan and the more interest is earned.
 - b. **Difference in note balance and debenture balance on the prepayment date.** CDCs are advised to compare the note balance in the *504 Note Amortization Schedule* and the debenture balance on the *Debenture Amortization Schedule*. You will notice a difference in the balances. If the balance due on the debenture is greater than the note, the difference is taken from the escrow account. If the balance due on the note is greater than the debenture, the CDC received a credit for that difference.

Reports

Float Check Statement

The amount of the total monies available to be disbursed is impacted by the following:

1. The size of the total CDC industry portfolio.
2. The currency of the total CDC industry portfolio.
3. The interest rates on MRA investments in effect during the previous six-month period.
4. Prepayments made by all the 504 borrowers during the prior six-month period.

The amount of money received by your CDC is a pro rata share of the total monies disbursed. Your pro rata share is affected by:

1. The size of your CDC's portfolio.
2. The currency of your CDC's portfolio.
3. Prepayments made by your borrowers during the prior six-month period.
4. The year in which the borrower prepays.
5. When the prepayment monies are received at COLSON for prepayment of a 504 loan in your CDC's portfolio.

Circumstances that may cause increases in the float payment

1. New loans that have funded.
2. New loans that fund early in the six-month period for which the float is calculated.
3. Borrowers that wire prepayment monies early in the period for which the float is calculated.
4. Borrowers that are consistently current with their monthly payments.
5. Increase in interest rates on MRA investments.

Reports

Float Check Statement

6. If your portfolio is large, you will receive a larger share since monies are disbursed on a pro rata basis.

Circumstances that may cause decreases in the float payment

1. Loans that prepay in your CDC's portfolio.
2. Increase in prepayments in the total CDC industry portfolio.
3. Decrease in interest rates on MRA investments.
4. Borrowers who are not current.
5. Borrowers who fail to pay at the semi-annual debenture payment date. This causes SBA to honor its guarantee to make up the difference in the payment to the investors.

What is COLSON's role in the float check?

COLSON is responsible for the calculation of the pro rata share for each CDC and the disbursement of the monies to the CDCs.

Who manages the investment of funds in this account?

The CSA and the Bank of New York Mellon have an agreement with the SBA to invest and manage these funds. SBA has sole-discretion over the MRA investments.

Are there fees associated with this fund?

Yes. The Bank of New York Mellon receives a fee for its management of the MRA. No other party receives a fee.

Reports

Substitute IRS Form 1098

COLSON SERVICES CORP. AS AGENT FOR THE SMALL BUSINESS ADMINISTRATION 101 Barclay Street, 8th Floor East NEW YORK, NY 10286	
NAME	
STREET ADDRESS	
CITY, STATE, ZIP CODE	
THE FOLLOWING IS THE INFORMATION AS IT APPEARS IN OUR RECORDS FOR THE CALENDAR YEAR ____.	
THIS IS YOUR SUBSTITUTE 1098 FORM.	
LOAN NUMBER:	9876543210
NAME OF BORROWER:	_____
ADDRESS:	_____ _____
TAX ID NUMBER:	123456789
TOTAL INTEREST PAID:	\$13,917.12
** THIS INFORMATION HAS BEEN REPORTED TO THE INTERNAL REVENUE SERVICE **	
IF YOU HAVE ANY QUESTIONS OR REQUIRE ANY ADDITIONAL INFORMATION PLEASE CONTACT YOUR CERTIFIED DEVELOPMENT COMPANY.	
CDC NUMBER	

This is a form required of COLSON by the IRS. COLSON must report to the IRS the interest paid by a borrower on the mortgage for a 503 or 504 loan during the prior calendar year ending December 31st. The form must indicate that it is a substitute 1098. It is mailed to the borrower no later than January 31st of the following year.

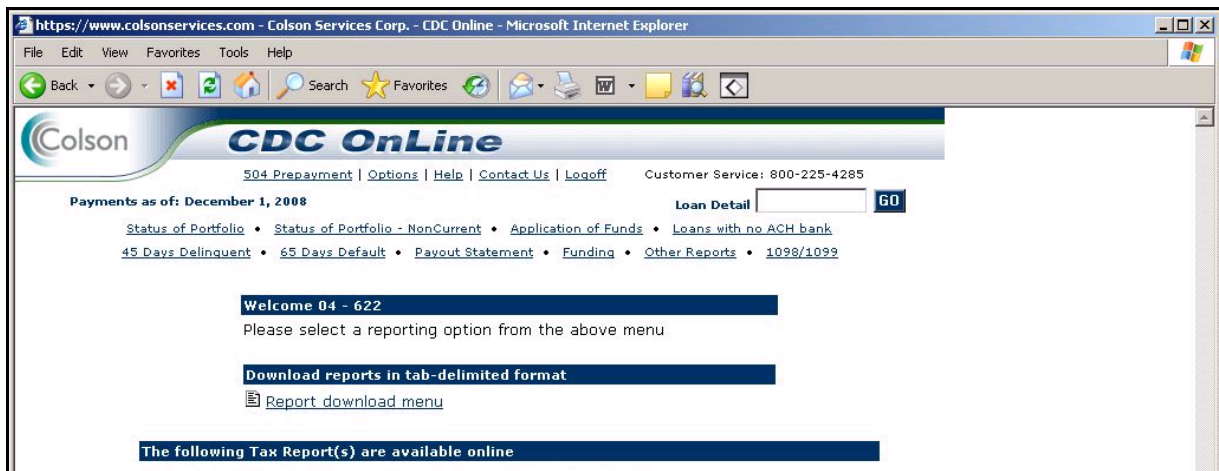
- The name on the IRS Form W-9 sent to Colson is used for reporting interest paid on 503 or 504 loans.
- The calendar year for which the interest paid is reported to the IRS.
- The loan number is the SBA loan number.
- The name of the borrower is the borrower name on the *IRS Form W-9*.
- The tax ID number is from the IRS Form W-9.
- The total interest paid is for the prior calendar year on the 503 or 504 loan.
- For non-exempt borrowers for whom the information has been reported to the IRS, the line will read that this information has been reported to the IRS.
- For exempt borrowers the information will not be reported to the IRS and the line will read that this information has not been reported to the IRS.
- A borrower with questions should contact the CDC and not COLSON.

Reports

Substitute IRS Form 1098

Who receives Substitute IRS Form 1098s?

1. COLSON sends one Substitute IRS Form 1098 to “non-exempt” borrowers. COLSON must follow IRS rules to determine which borrowers will receive IRS Form 1098 and which are “exempt” from reporting this on their income tax returns.
2. For those “exempt” borrowers, COLSON makes available for download on CDC Online a year-end statement (formerly referred to as a Substitute IRS Form 1098) to the CDC – **NOT TO THE BORROWER**. The CDC is under no obligation to forward this form to any “exempt” borrower. However, if an “exempt” borrower calls the CDC to ask for one, the CDC can accommodate the request. Colson has given CDCs a print all function when they are providing 1098 reports to multiple borrowers.



3. COLSON uses the name found on the IRS Form W-9 that is provided by the borrower at closing. This may not be the name that is listed as the borrower or as the statement name on the CDC records.

NOTE: The year-end statements also contain the following information at the bottom of the form:

Please note: The following data is for information purposes only. Prepayment or payoff amounts must be obtained from your certified development company or the U.S. Small Business Administration.

Note balance as of December 31 st :	\$123,456.78
Certified development Company Fees paid	9,876.54
Servicing Agent Company Fees paid	7,654.32
Ongoing SBA Guarantee Fee paid	6,543.21

Reports

1098 Worksheet

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(FSBSEL03)

COLSON SERVICES CORP.
503/504 LOAN PROGRAM – 2007 1098 WORKSHEET
Reportable and non-reportable
All loans which paid interest during tax year 2006
CDC Number: 01-001

LOAN	BORROWER'S NAME	Tax ID	Note Balance	Interest Paid	SBA Paid	CDC Paid	CSA Paid	R
1234563004	ROBERT A & JAMIE BASSET	12345678	12,929.25	12,345.67	1,222.33	2,111.00	4,567.89	Y
1234563005	WEST REALTY ASSOC	23456789	339,587.64	23,456.78	2,111.22	1,555.67	5,122.33	
1234563001	SAM W TATTER AND ROBERT M CLAIRMONT	34567899	464,402.97	34,567.89	1,333.44	3,000.15	3,987.65	
1234553008	THOMAS A BECKET	45678099	523,423.29	45,678.90	3,222.55	5,001.15	2,999.88	
1234578301	J.A.G. REPAIRS	56789099	639,642.47	12,333.44	2,456.98	987.65	3,555.66	Y
1248653009	GAMBLE, JAMES	67890123	786,853.81	22,222.33	4,555.66	1,654.98	987.65	Y
1251233002	MASTERS, NATION D/B/A JIFFY LUBE	22233344	893,335.25	12,654.89	3,654.98	1,234.56	1,234.57	

This report lists all 503 and 504 borrowers in the CDC’s portfolio and is to assist the CDC in answering questions that its borrowers may have about IRS Form 1098, or the reporting of interest paid. This report is available on the COLSON web site on or about January 31. The length of the report, in “landscape” format, will be determined by the size of the CDC’s portfolio.

- The Loan ID is the SBA Loan Number.
- Borrower’s Name is from the IRS Form W-9. Note each tax payer has a separate IRS Form W-9.
- The Taxpayer ID Number is from the IRS Form W-9.
- The total interest paid is for the prior calendar year on the 503 or 504 loan.
- The “Y” denotes a “non-exempt” borrower and the information will be reported to the IRS. Also, a Substitute IRS Form 1098 will be sent to the borrower by COLSON.
- If there is no “Y,” then this is an “exempt” borrower and the information will not be reported to the IRS. The borrower will not receive a Substitute IRS Form 1098 directly from COLSON. However, the CDC will receive Substitute IRS Form 1098s for each exempt borrower in the event the borrower requests a 1098 from the CDC for tax purposes.

Reports

Borrower's Funding Balance Due Statement

COLSON SERVICES CORP. CENTRAL SERVICING AGENT 503/504 PROGRAM 101 Barclay Street; 8th Floor East NEW YORK, NY 10286				
				DATE
NAME				
STREET ADDRESS				
CITY, STATE, ZIP CODE				
DEAR BORROWER:				
THIS REPORT SHOWS THE 2/12/07 FUNDING BALANCE DUE YOU ON YOUR LOAN IN THE COLUMN TITLED BAL TO BORROWER. A CHECK FOR THIS AMOUNT IS ENCLOSED.				
IF YOU HAVE ANY QUESTIONS, PLEASE CALL THE CERTIFIED DEVELOPMENT COMPANY THAT SERVICES YOUR LOAN.				
SBA LOAN NUMBER	CDC	Borrower	Debenture AMOUNT	BAL TO BORROWER
9876543210	01-001	NAME OF BORROWER	500,000.00	987.65

This letter accompanied by a check, is mailed directly to the borrower by COLSON within 48-hours following a debenture funding.

- The amount of the check is identified as the “Balance to Borrower” on the *Servicing Agent Agreement* and is a result of debenture rounding.
- The check and this letter will be sent to the borrower’s address listed on the *Servicing Agent Agreement* within 48-hours of the debenture funding.
- The check will be from COLSON SERVICES CORP.
- Although the letter directs the borrower to “the Certified Development Company that services your loan” for any questions, it only refers to the CDC by CDC number. The letter does NOT specify the CDC’s name.
- The Debenture amount is the 504 loan amount.

If there is no balance due the borrower (i.e., the amount on the *Servicing Agent Agreement* is “\$0.00”), will the borrower receive this letter?

No.

Reports

CDC Funding Fee Statement

If a CDC receives their fees via ACH Credit the statement is available two business days after the funding date and must be downloaded from the Colson website. If they receive a check the report will be mailed with the check.

COLSON SERVICES CORP. CENTRAL SERVICING AGENT 503/504 PROGRAM 101 Barclay Street; 8th Floor East NEW YORK, NY 10286					
					DATE REPORT IS ISSUED
CDC NAME CDC STREET ADDRESS CDC CITY, STATE, ZIP CODE					
DEAR CDC:					
THIS REPORT SHOWS YOUR FEE ON THE LOAN(S) LISTED BELOW FOR THE 2/12/07 FUNDING. A CHECK FOR THE TOTAL AMOUNT OF THE COLUMN TITLED CDC FEE AND CLOSING COSTS IS ENCLOSED.					
PLEASE NOTE THAT THE AMOUNT OF MONEY IN THE BAL TO BORROWER COLUMN HAS BEEN FORWARDED TO THE BORROWER UNDER SEPARATE COVER.					
IF WE CAN BE OF ANY FURTHER ASSISTANCE TO YOU, PLEASE DO NOT HESITATE TO CALL CUSTOMER SERVICE AT 800-225-4285.					
SBA LOAN NUMBER	BORROWER	DEBENTURE AMOUNT	CDC FEE	CLOSING COSTS	BAL TO BORROWER
9876543210	MIND MANUFACTURING	1,000,000.00	666.67	2,500.00	987.65
2345678900	WESTER CLEANERS	500,000.00	666.67	1,000.00	123.45
CHECK OR ACH credit FOR:					4,833.34

Within 48-hours of the debenture funding, the CDC will receive the *CDC Funding Fee Statement*. This will list the debenture(s) your CDC had in that month's funding and provide details of the check that is enclosed with this report. You will receive this report **ONLY** if you had debentures funded for the month.

- This report specifies the SBA loan number, the borrower name taken from the *Servicing Agent Agreement*, and the debenture amount for each loan funded.
- The CDC processing fee will be listed next to each debenture amount.
- If you included closing costs in the pricing of the debenture, the amount specified on that line in the *Servicing Agent Agreement* will also be listed. If no closing costs were priced into the debenture for the loan listed in that line, this category will read \$0.00.

- If there was a refund due the borrower as a result of rounding up the debenture, the column “Balance to Borrower” will specify the amount that was sent separately to the borrower from COLSON in the report called *Borrower Funding Balance Due Statement*. If there was no refund due the borrower from rounding up the debenture, this category will read \$0.00.

Reports

Late Payment Report: as of 5th of the month

This is a monthly report showing all loans that did not remit the required monthly payment by the 5th of the month. It is available on the Colson website on the business day after the 6th of the month and must be downloaded.

COLSON SERVICES CORP. 101 Barclay Street; 8th Floor East NEW YORK, NY 10286		
NOTE PAYMENTS NOT RECEIVED BY THE 5 TH		
		DATE REPORT IS ISSUED
CDC NAME		
ATTN:		
CDC STREET ADDRESS		
CDC CITY, STATE, ZIP CODE		
CDC #: 01-001		
SBA LOAN NUMBER	STATEMENT NAME	AMOUNT DUE
9876543210	STATEMENT NAME	\$ 744.15
2345678900	STATEMENT NAME	\$ 571.10
3123453005	STATEMENT NAME	<u>\$ 3,700.60</u>
TOTAL AMOUNT		\$ 5,015.85

- The report is available to the CDC one business day after the 5th of the month on the COLSON web site.
- The report specifies the SBA loan number, statement name and the amount due on each loan where payment has not been received. The amount due is the amount of the monthly payment owed by the borrower FOR THAT MONTH ONLY.
- The report will total the amount due from all borrowers in your CDC’s portfolio whose note payments were not received by the 5th.
- You will receive this report ONLY if any of your borrowers’ payments have not been received for the current month.

Reports

Late Payment Report: as of 5th of the month

What action should a CDC take if a borrower is listed on this report?

1. **Call your borrower as soon as you receive this report.**
 - a. Ask them why they were late. (It may be the sign of a more serious problem that needs attention.)
 - b. Tell them they must wire their monthly payment.
 - c. Remind them they will be assessed a \$_____ late fee if payment is not received by COLSON on or before the 15th of the month.
2. **Follow-up IN WRITING the day you call the borrower.** Fax the letter to your borrower. The letter should contain the following information:
 - a. A reminder that their payment of \$_____ must be wired on or before the 15th of the month.
 - b. If their payment is not received by the 15th deadline, they will be assessed a late fee of \$_____.
 - c. Provide wiring instructions so they can correctly wire the payment.
3. Check the COLSON web site daily to see if the payment was received by COLSON. Receipt of the payment will be shown in the *Individual Loan Histories* screen.
4. If the COLSON web site does not show receipt of the monthly payment by the 13th, call the borrower again.

Reports

Late Payment Report: as of 15th of the month

This is a monthly report showing all loans that did not remit the required monthly payment by the 15th of the month. It is available on the Colson website on the business day after the 15th of the month and must be downloaded.

COLSON SERVICES CORP. 101 Barclay Street; 8th Floor East NEW YORK, NY 10286			
Late Fee Assessed Report - DATE REPORT IS ISSUED (AS OF THE 15 TH OF THE MONTH)			
CDC NAME ATTN: CDC STREET ADDRESS CDC CITY, STATE, ZIP CODE			
SBA NUMBER	STATEMENT NAME	AMOUNT DUE	LATE FEE ASSESSED
9876543210	STATEMENT NAME	\$ 744.15	\$100.00
2345678900	STATEMENT NAME	\$ 571.10	\$100.00
3123453005	STATEMENT NAME	<u>\$ 3,700.60</u>	<u>\$185.03</u>
	CDC Total	\$ 5,015.85	\$385.03

A late *Payment Report* as of the 15th of the month lists borrowers whose payments were not received by COLSON as of the 15th day of the month in which the payment was due. The report is available on the Colson web site one business day after the 15th of the month.

- A late fee has been assessed on this loan.
- The amount of the late fee is the greater of \$100 or 5% of the monthly payment.
- If the borrower has not paid by the 15th of the month, this can be an indication of a serious servicing problem. The CDC needs to act immediately! It is the CDC's responsibility to assure that the borrower makes timely payments on the 504 Loan.
- You will receive this report ONLY if any of your borrowers' payments have not been paid by the 15th of the current month. This report does not show any borrowers who have not paid or who are late with their payments from previous months.

Reports

Late Payment Report: as of 15th of the month

What action should a CDC take if a borrower is listed on this report?

1. Collect the necessary information to analyze the problem and make recommendations for action. Review the following resources for more assistance:
 - a. Chapter 8 – Servicing Actions in this manual.
 - b. *Loan Servicing Formats* – the booklet provided by the SBA CLSCs.
 - c. SOP 50 50 (4) – Loan Servicing.
 - d. Training manuals you may have on file from NADCO courses on servicing and on liquidation.
2. Make a site visit. Something is wrong that you should know about. Be sure to pick up current financial statements from this borrower.
3. Talk to the Third Party Lender. If the borrower's bank of account is different from the Third Party Lender, talk to them as well.
4. If the Borrower commits to wiring a payment, follow-up every five (5) days to see that the payment is wired.

Reports

Late Fees Statement

COLSON SERVICES CORP. 101 Barclay Street; 8th Floor East NEW YORK, NY 10286		
DATE REPORT IS ISSUED (SENT THE SECOND WEEK OF EACH MONTH)		
CDC NAME ATTN: CDC STREET ADDRESS CDC CITY, STATE, ZIP CODE		
DEAR CDC: 01-001		
ENCLOSED PLEASE FIND A CHECK REPRESENTING THE LATE FEE(S) COLLECTED BY COLSON SERVICES CORP DURING THE PREVIOUS MONTH. COLSON HAS BEEN INSTRUCTED BY SBA TO FORWARD LATE FEES COLLECTED TO THE CERTIFIED DEVELOPMENT COMPANIES, UNLESS OTHERWISE SPECIFIED.		
IF YOU HAVE ANY QUESTIONS REGARDING THIS MATTER, PLEASE CONTACT YOUR CUSTOMER SERVICE REPRESENTATIVE AT 1-800-225-4285.		
SBA LOAN NUMBER	SBC NAME	DOLLAR AMOUNT
9876543210	ABC HOLDINGS CO	\$ 247.70
2345678900	JOE DOAKES	\$ <u>944.64</u>
	TOTAL AMOUNT	\$ 1,192.34

This report is sent only if late fees due the CDC are received by COLSON. If a borrower fails to make the 504 Loan monthly payment by the 15th, the borrower is assessed a late fee. When the borrower pays the late fee(s) owed, COLSON will send the details of that payment to the CDC in this report. This report will be accompanied by a check in the total amount of the late fees received.

- This report is mailed to the CDC the second week of the month.
- The report provides details on any late fee(s) received the prior month by COLSON.
- A CDC will receive this report only if the borrower has an outstanding late fee(s) **AND** the borrower has paid all or some of late fees due.

Reports

ACH Rejects Report

Automatic Notification of ACH Rejection

In October 2008, Colson updated their loan portfolio management system to send an automatic rejection notice to CDCs in the event that a borrower ACH is rejected. The system sends an auto-generated e-mail to each CDC (minimum two email addressed by CDC) each time a borrower ACH payment rejects. Colson posts the borrower ACH payment reject data the next business day on the CDC Online website. Colson maintains a 2-3 month history of ACH reject data on the CDC Online website before overwriting with more recent ACH reject data.

Precautions for Working with Borrowers on ACH:

See if your borrower's third party lender (and/or bank of account) have fraud protection in place on the account designated for the ACH debits. Fraud protection would mean that no party can debit their account without expressed permission. Sometimes borrowers forget they have fraud protection in place and they don't tell the CDC until after their first ACH is rejected. If the borrower has fraud protection in place on the designated ACH debit account, prior to closing the borrower can remedy this in two ways that can allow the ACH draft. The borrower can ask their Third Party Lender to make an exception for the 504 ACH Draft from Colson Services as CSA and provide identifying information to enable the CSA and only the CSA to access their account. However, some bank debit software is not sophisticated and those lenders only have the option of allowing entry by debit into the account or not allowing access to the account. If that is the case for your borrower's Third Party Lender, there is another option. The borrower can set up a separate account and have the bank transfer only the amount of the ACH monthly draft into the account. That way, the ACH can occur, but the borrower can feel that their other funds are secure with the Third Party Lender's fraud protection.

What reasons are there for an ACH reject?

Generally there are insufficient funds in the borrower's bank of account – either there are no funds, or the deposit was made too late for the funds to be available (i.e., “good” funds). A borrower or bank can also put a “stop payment” on an account that would prohibit funds from being automatically debited. Here are the codes that are used to define ACH rejects:

Table 9-3: Reasons for ACH Rejects		
Denotes deletion of ACH	Code	Reason
	R01	Insufficient Funds
*	R02	Account Closed
	R03	No Account/Unable to Locate Account
	R04	Invalid Account Number
	R05	Required Pre-notification Not Received
	R06	Returned per Originating Debiting Financial Institution's Request
*	R07	Authorization Revoked By Customer
*	R08	Payment Stopped
	R09	Uncollected Funds
*	R10	Customer Advises Not Authorized
*	R12	Branch Sold to Another Debiting Financial Institution
*	R13	Non-Participating Debiting Financial Institution
	R14	Account-holder Deceased
	R15	Beneficiary Deceased
*	R16	Account Frozen
	R17	File Record Edit Criteria
	R20	Non-Transaction Account
	R21	Invalid Company Identification
	R28	Routing # Incorrect Digit
	R29	Corporate Customer Advises Not Authorized

If the borrower's ACH bank information has been deleted from the CSA System, Colson delineates this with a check mark on the CDC Online web site under a section entitled ACH rejects. Under the column labeled "ACH Delete" a check mark denotes where an ACH reject has occurred as shown in the sample screen shot below.

Program Number	CDC Number	CDC Name	Loan Number	Borrower Name	Posting Date	Rejected Amount	Rejected Reason	ACH Delete	Multiple Rejected Payments
504					03/03/2009	\$5,548.05	Error - Please call Colson		
504					04/02/2009	\$5,548.05	CUSTOMER ADVISES NOT AUTHORIZED	✓	
Total			2			\$11,096.10			

Reports

ACH Rejects Report

What should a CDC do when the ACH rejects?

1. It is the CDC's servicing responsibility to see that the borrower makes timely payments.
 - a. Call the borrower immediately and provide the wiring instructions for monthly payment to COLSON.
 - b. Follow up in writing to the borrower – a late fee is assessed if the payment is not received by close of business on the 15th.
 - c. Check the COLSON web site daily to see if the borrower wired payments.
2. An ACH reject for “insufficient funds” is a key indicator of a more serious problem. Act now to investigate and evaluate the situation. See Chapter 8 on Servicing Actions in this manual.

What should a CDC do when the borrower is removed from ACH?

1. There are specific circumstances that require that a borrower be removed from ACH. There are other circumstances where a borrower may be removed from ACH at the discretion of the CSA. These are covered in Chapter 6 – Borrower Payment Procedures in this manual.
2. A borrower being removed from ACH may need to wire monthly payments on an ongoing basis until the CDC is assured that the borrower can reliably take advantage of ACH again.
3. To wire monthly payments, the borrower's bank generally charges a fee for this service.

Reports

45-Days Delinquent Report

This is a monthly report showing all loans that are 45 or more days behind as of the last business day of the month. It is available on the Colson website on the first business day of the month and must be downloaded.

Colson Services Corp.
Central Servicing Agent 503/504 Program
Post Office Box 1289
Bowling Green Station
New York, N.Y. 10274

45 Day Delinquent Report CDC: 02-650

Name of CDC
Att: CDC President
Street Address
City, State Zip Code

Listed below are those loans which are 45 days or more delinquent as of the 31st day of the month.

Loan Number	Statement Name	Amount Due	Payments Due	Next Semi-annual
9876543210	ABC Holdings Co	\$18,544.37	5.0	
2345678900	Joe Doakes	\$14,663.47	2.0	

This report is generated as of the close of business on the last business day of the month and identifies loans that are 45-days or more delinquent as of the last business day of the prior month where no SBA-approved deferment or catch-up plan is in place. The report specifies the amount due on each loan to bring the loan current followed by the total amount due on all loans that are 45-days delinquent within the CDC's portfolio. 45-days delinquent is defined as a loan where the total due, minus late fees, is equal to Two (2) or more scheduled monthly payments.

The report is sent to the SBA Central Office, the SBA Commercial Loan Servicing Center with whom the CDC works, and the SBA District Office. It must be downloaded by the CDC.

How is the number of payments due on the loan calculated?

This is calculated by dividing the total amount due, less the late fees, by the borrower's monthly payment.

What is the CDC expected to do once this report is received?

The CDC needs to act promptly when payments are late or not made at all. This typically involves the preparation of a detailed analysis and plan the CDC sends to the SBA CLSC identifying steps the borrower will take to become current and the CDC’s financial and other analyses of the problem. The CDC is expected to evaluate the situation and take other servicing actions in all situations where the borrower has missed a payment. See Chapter 8 on Servicing Actions in this manual.

Reports

65-Days Default Report

This is a monthly report showing all loans that are 65 or more days behind as of the 20th of the month. It is available on the Colson website the next business day and must be downloaded.

**Colson Services Corp.
Central Servicing Agent 503/504 Program
Post Office Box 1289
Bowling Green Station
New York, N.Y. 10274**

65 Day Default Report CDC: 02-650

Name of CDC
Att: CDC President
Street Address
City, State Zip Code

Listed below are those loans which are in default (65 days or more delinquent) as of the 20th day of the month.

Loan Number	Statement Name	Amount Due	Payments Due	Next Semi-annual
9876543210	ABC Holdings Company	\$18,544.37	5.0	
Total Due		\$18,544.37		

This report is generated as of the close of business on the 20th of the month (or next business day if the 20th is not a business day) and is “as of” the close of business. It identifies loans that are 65-days or more delinquent where no SBA-approved deferment or catch-up plan is in place. The report specifies the amount due on each loan to bring the loan current followed by the total amount due on all loans that are 65-days delinquent within the CDC’s portfolio.

Explanation of the *65-Days Default Report**

1. A borrower that is on the *65-Days Default Report* will be scheduled for debenture purchase by SBA. This action was a result of legislation passed in 1996 calling for prompt action on loans that are past due. 65-days default is defined as a loan where the total amount due, minus late fees, is equal to three (3) or more scheduled monthly payments.
2. Past due loans where no action is taken cause accrual of additional monies that impact negatively on the subsidy rate for the 504 loan program. Unless there is immediate action – bringing the loan current, or placing the borrower on an SBA-approved deferment plan – SBA will purchase the debenture at its next semi-annual prepayment date.

*In addition to the 65-Day Default Report to Colson Services Corp., CDCs must also submit a 60-day Report to the CLSCs. See NADCO Technical Issues Memo 17-07 for more details.

What action does SBA take if a loan is listed on the *65-Days Default Report*?

SBA will notify the CDC that the loan must be transferred to SBA immediately for scheduled purchase at the debenture's next semi-annual payment date.