

## **Texas Certified Development Company, Inc. Customer Identification Program**

The purpose of this Customer Identification Program (CIP) is to enable Texas Certified Development Company, Inc. (TCDC) to form a reasonable belief that it knows the true identity of the customers who are applying for SBA 504 Loans in compliance with SBA Policy Notice 5000-901. SBA requires all certified development companies to implement the minimum requirements of the Joint Final Rule on Customer Identification Programs (31 C.F.R. Section 103.121) issued by the U.S. Department of the Treasury and various Federal functional regulators, pursuant to the USA PATRIOT Act, for banks, savings associations, credit unions, and certain non-Federally regulated banks. In addition to this CIP, TCDC will continue to follow SBA's current policies and procedures with respect to identity information, verification and recordkeeping.

For purposes of this CIP, the customer is the person or persons (meaning both natural persons and entities such as partnerships, corporations, limited liability companies, or trusts) applying for, and receiving the benefit of, the 504 Loan. Thus, the customer to be identified will be any Borrower, Eligible Passive Company (EPC), Operating Company (OC), and Co-Borrower. In addition, if the customer Borrower, EPC, OC, or Co-Borrower is an entity rather than a natural person, then customer for purposes of this CIP also will include all persons or entities with a managing or controlling interest, as defined by SBA regulations and Standard Operating Procedures, in the Borrower, EPC, OC, or Co-Borrower.

This CIP consists of the following six (6) parts:

### I. Identity Information

A. As part of each 504 Loan application, TCDC will obtain the following identity information from each customer (Borrower, EPC, OC, Co-Borrower, or its managing or controlling person or entity):

1. Name of customer
2. Date of birth for an individual
3. Address
  - a. For an individual, this must be his/her residential or business street address or, if the individual has no residential or business street address, then his/her Army Post Office (APO) or Fleet Post Office (FPO) box number or the residential or business street address of the individual's next of kin or other contact individual
  - b. For an entity, this must be the entity's principal place of business, local office, or other physical location

#### 4. Identification number

- a. For a U.S. person (meaning a U.S. citizen or an entity organized under the laws of a state, the District of Columbia or the United States), this must be the person's taxpayer identification number
- b. For a non-U.S. person, this must be one or more of the following:
  - (1) A taxpayer identification number
  - (2) A passport number and country of issuance
  - (3) An alien identification card number
  - (4) The number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard

If the customer has applied for, but not yet received a taxpayer identification number (TIN) at the time of 504 Loan application, then the TCDC loan consultant must confirm, before submitting the 504 Loan to SBA for funding, that the TIN application has been filed and the TIN actually issued.

- B. For most individual customers, the above identity information is provided on SBA Form 912 (Statement of Personal History). For most entities, the above identity information is provided on Part B of SBA Form 1244 (Application for Section 504 Loan). If the identity information is not obtained through a Form 912 or Form 1244 Part B (for example, where a limited liability company EPC is in the process of being formed), then the identity information should be obtained by having the customer complete the attached Customer Identification Program Intake Identity Form.

## II. Verification of Identity Information

TCDC has adopted the following procedures to verify identity information:

### A. Verification through Documents

1. As part of preparing the SBA loan application for submission to SBA for approval, the attached Customer Identification Form (Individual or Entity) shall be completed for each customer (Borrower, EPC, OC, Co-Borrower, or its managing or controlling person or entity). The TCDC loan consultant will prepare the grid on the Customer Identification Form (Individual or Entity) using the previously obtained identity information (see Part I above).

2. For an individual customer, the TCDC loan consultant shall request the individual customer to present one of the listed forms of identification. The TCDC loan consultant shall examine the presented identification and complete PART A of the Customer Identification Form--Individual. Please note that the customer does not complete or sign this Customer Identification Form. If permitted by applicable state or local law, the form of identification presented should be photocopied and attached.

The TCDC loan consultant shall then complete PART B of the Customer Identification Form--Individual by comparing the presented identification with the identity information on the previously obtained Form 912 or Customer Identification Program Intake Identity Form (Part I above).

If the information being verified is consistent with the identity information, then Yes should be checked. If the information being verified is not consistent, then further verification is required depending on whether the discrepancy relates to Date of Birth, Name, or Other. The type of discrepancy should be checked and the resolution of the discrepancy described.

The Customer Identification Form--Individual will be used to determine whether the customer appears on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency (see Part V below).

3. For an entity customer, the TCDC loan consultant will complete PART A of the Customer Identification Form--Entity by checking all the listed forms of identification which are applicable and have been obtained and reviewed.

The TCDC loan consultant shall then complete PART B of the Customer Identification Form--Entity by comparing the obtained identification with the previously obtained identity information on Part B of SBA Form 1244 (Application for Section 504 Loan) or the Customer Identification Program Intake Identity Form (Part I above).

If the information being verified is consistent with the identity information, then Yes should be checked. If the information being verified is not consistent, then further verification is required depending on whether the discrepancy relates to Name or Other. The type of discrepancy should be checked and the resolution of the discrepancy described.

The Customer Identification Form--Entity will be used to determine whether the customer appears on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency (see Part V below).

## B. Verification through Non-Documentary Methods

1. Use of non-documentary methods must be approved in advance by TCDC Executive Vice President or higher. Non-documentary methods may be used at any time, but must be used in the following circumstances:
  - a. An individual customer is unable to present an unexpired government-issued identification document that bears a photograph or similar safeguard (for a list of acceptable government-issued identification documents, see the attached Customer Identification Form--Individual)
  - b. The TCDC loan consultant is not familiar with the documents presented
  - c. The 504 Loan is being made without obtaining documents (this should be an extremely unusual circumstance)
  - d. The customer has applied for the 504 Loan without appearing in person (this should be an extremely unusual circumstance)
  - e. TCDC is otherwise presented with circumstances that increase the risk that TCDC will be unable to verify the true identity of a customer through documents
2. The TCDC loan consultant will verify identity using one of the following non-documentary methods:
  - a. Contacting the customer
  - b. Independently verifying the customer's identity through the comparison of the identity information on the Form 912 or Customer Identification Program Intake Identity Form (see Part I above) with information obtained from a consumer reporting agency, public database or other source, by checking references with financial institutions, or by obtaining a financial statement
3. The TCDC loan consultant will document the verification by completing PART A and PART B of the attached Customer Identification Form--Non-Documentary.

## C. Reliance on Third Party Lender

1. TCDC will not rely on Third Party Lenders for Customer Identification at this time.

D. The TCDC loan consultant will confirm, prior to submitting the 504 Loan to SBA for approval that identity information has been obtained for all customers and has been verified.

## III. When Customer's Identity Cannot Be Verified

If the customer's identity cannot be verified, then TCDC will not submit the 504 Loan to SBA for funding until satisfactory verification can be completed.

If satisfactory verification cannot be completed, then TCDC will cancel the 504 Loan. Inconsistencies uncovered during verification which cannot be resolved fall within the category of suspected irregularities which must be reported to TCDC headquarters in Austin for further submission to SBA's Office of Inspector General's Fraud Hotline at 1-800-767-0385.

#### IV. Recordkeeping

A. At a minimum, TCDC will make and maintain the following records:

1. All identity information obtained about a customer, including but not limited to, the SBA Form 912, the SBA Form 1244, and the Customer Identification Program Intake Identity Form.
2. All documents used in verifying the identity information, including but not limited to the Customer Identification Form--Individual, the Customer Identification Form--Entity, the Customer Identification Form--Non-Documentary, and any comparable records.
3. A description of the resolution of any substantive discrepancy discovered when verifying the identity information, if such description is not set forth on the applicable Customer Identification Form--Individual, Customer Identification Form--Entity, Customer Identification Form--Non-Documentary, or comparable records.

B. TCDC will retain all records of identity information (IV.A.1. above) for five (5) years after the date that the 504 Loan is paid in full or charged off. TCDC will retain all records of verifying information (including a description of any document relied upon to verify identity) and descriptions of discrepancy resolutions (IV.A.2. and 3. above) for five (5) years after the record is made.

#### V. Comparison with Government Lists of Known or Suspected Terrorists or Terrorist Organizations

As soon as the verification of identity information has occurred, and prior to submitting the 504 Loan to SBA for funding, TCDC personnel in Austin will check the customer's identity against any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated as such by the U.S. Department of the Treasury.

At this time, no lists of known or suspected terrorists or terrorist organizations specifically relating to Customer Identification Program regulations have been designated by the U.S. Department of the Treasury. The Treasury's Office of Foreign Assets Control (OFAC), however, regularly published a list of Specially Designated Nationals and Blocked Persons which consists of individuals or entities which are owned or controlled by, or acting for or on

behalf of, the governments of target countries, or are associated with international narcotics trafficking or terrorism. All persons subject to the jurisdiction of the United States, including TCDC, are prohibited from dealing with any individuals or entities on the OFAC list. Accordingly, at present, TCDC personnel will check the customer's identity against the OFAC list, which is located at <http://www.ustreas.gov/offices/eotffc/ofac/sdn/index.html>, and click on Specially Designated Nationals (SDN) list.

TCDC Headquarters will check the OFAC list and complete the Customer Identification Forms (Individual and Entity) by checking whether the customer is acceptable or not acceptable for submission to SBA for funding. TCDC Headquarters will print the page of the SDN list where the individual or entity would appear alphabetically.

If the customer appears on the OFAC list and is not acceptable, then TCDC Headquarters will refer the matter to the SBA Office of Inspector General's Fraud Hotline at 1-800-767-0385.

#### VI. Notice to Customers About the CIP.

TCDC will provide all customers with notice that it is requesting information to verify their identities. Attached is the TCDC Customer Identification Program Notice which TCDC will distribute as follows:

- A. By posting in the lobby at TCDC's offices
- B. By posting on TCDC's website
- C. By providing a copy of the Notice to each 504 Loan applicant along with the Packaging/Processing Agreement.

#### List of Attachments

SBA Policy Notice 5000-901: New SBA Requirements for Customer Identification Programs Applicable to SBA Lenders Not Currently Covered by Treasury Regulations. The Joint Final Rule (31 CFR Section 103.121) issued by the U.S. Department of the Treasury and various Federal functional regulators is included as Exhibit A to notice 5000-901.

TCDC Customer Identification Program Intake Identity Form (05/04)

TCDC Customer Identification Form--Individual (05/04)

TCDC Customer Identification Form--Entity (05/04)

TCDC Customer Identification Form--Non-Documentary (05/04)

TCDC Notice to Customers About the CIP (05/04)