

**WORD TO THE WISE:
BANKS BUYING BANKS WITH SBA PORTFOLIOS
BETTER CHECK OUT THE CLOSETS!**

Lately, we're seeing an issue arising from the recent spate of banks acquiring other banks, in their own states or across the country. When banks buy banks with SBA portfolios, they often don't review those portfolios. At their peril.

Let's think of it in terms of buying a house. Most people inspect the big things: how's the foundation, the plumbing, the electricity? But often they don't check out the closets. By the same token, banks acquiring other banks perform due diligence on the big-picture issues: the commercial and consumer loan portfolios, and the deposits. If there's an SBA portfolio, they might not take a close look because SBA isn't a dominant department. This becomes especially important when the acquiring bank doesn't have an SBA department or doesn't understand the SBA. In any event the bank expects simply to take over servicing the loans and reaping the income.

Yet overlooking the SBA loans they just bought could be an oversight that will come back and bite them. They need to ask themselves, "What's in the closets of the house we just bought?" There could be poor quality or poorly documented loans lurking in those closets. Not cleaning house could cause these loans to go into default and the loss of SBA guarantees.

Word to the wise: When you take over loans you also take over the liability. You're responsible for maintaining the SBA guaranty.

So like the new homeowner who's looking to remodel the kitchen and finds big trouble in the pantry, why take on problems that could have been identified and possibly avoided? As an approved SBA Lender Service Provider, we can conduct an SBA portfolio review, checking out the quality of the loans and the documentation to make sure they're compliant with the SBA. We also can handle liquidations if needed. At J.R. Bruno & Associates, portfolio reviews

are just one of our many services. We're here to assist you on a one-time basis or as long as you need us. Give me a call at 626.688.2125. Or check out our range of services at www.jrbrunoassoc.com.

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