

Joanna Bruno
President
J. R. Bruno & Associates
2152 E Cumberland Rd
Glendora, CA 91741
626.963.1267
www.jrbrunoassoc.com
joanna@jrbrunoassoc.com

Seeing the Downside: Importance of an Exit Strategy for SBA Lenders

Understanding exposure and mitigating market risks - both direct and indirect - is as crucial now as it has ever been in our documented economic history. Several experts say that we are in a recession. This statement can't be made official until additional figures are posted and corroborated. (Consumer Spending, Inverted Yield Curve, Rising Unemployment & Inflationary Pressure being the four key elements). Regardless of the technical ruling, it's obvious that times are tough. The carry over effect between business and consumer is normally direct (i.e. businesses and individuals go through recessions together).

What does this mean for SBA Lenders?

The inherent need for strong servicing, workout plan and liquidation program has always been and always will be essential. However in our current environment, actually exercising an exit strategy is happening more and more. Therefore, the workout plan needs to be put under the microscope early into the loan approval process. In the case that a loan does reach the unfortunate stage of liquidation, a workout plan must be made practical and realistic. Due to the current climate, the credit belt has tightened.

SBA Lenders, when pursuing either 7a or 504 loans, can no longer simply turn to a strong equity position in real estate (residential or commercial) to gain comfort in a project. When analyzing a company's expansion, re-structuring, and/or startup, all major pieces must have a cushion. Meaning the business structure, the quality of its product and/or service, the principals' personal guarantees, all collateral, along with its market forecast must all be in line with the scope of the project. Furthermore, the industry the small business falls into must be given a detailed scrub with both broad and regional market trends being dissected and analyzed.

Results of all mentioned diligence and analysis must reveal feasibility before new projects are given SBA-backed proceeds.

Contact us at J.R. Bruno & Associates to organize a strong workout plan for any loan in your portfolio. Our staff and expertise can guide you through liquidation programs before you're forced to put them into motion.

###