



J.R. Bruno
& ASSOCIATES



Consultants to the Business Lending Community
SBA and MBL Specialist

OUTSOURCE COLLABORATOR

Business Lending News

WHERE DOES THE MONEY GO? RECOVERIES THAT REQUIRE SPECIAL HANDLING

From time to time we come across liquidation recovery issues we call "stragglers" - instances where lenders receive checks in the mail having to do with loans that were closed up to a year and a half before. Now, here's the money. Where to apply it?

To back track, let's say your financial institution had a loan in liquidation and you went through the process, liquidating all areas of collection, and when those were exhausted, foreclosing on the assets. When liquidation was complete, you submitted the final Wrap-up Report to the SBA, charged off the loan and sent the file to storage.

The bulk of the work was done. But were you really done? Not always.

In cases of obtaining property (REO) prior to purchase, your financial institution acquired real estate property before it was sold, with the agreed value/fair market value added to the borrower's account to reduce the principal balance owed. Since the property might take months to sell, and the loan needed to be wrapped up, the SBA purchased the guaranty at the reduced balance and would share in the gain or loss when the property eventually sold. Many months later, you receive a check for revenue from the sale. The SBA takes its split. What do you do with your split?

In another scenario, your financial institution has taken possession of a property during liquidation and has paid the delinquent property taxes. Months later, you're notified that you have over paid and you're due a refund. So here you are. You've satisfied the SBA, closed the file and sent it to storage. Then comes the refund check. Where does the money go? In these cases, it's advisable to consult with your CFO and your regulator to make sure you're in compliance.

Stay on top of the stragglers. To avoid confusion and hours of detective work searching through your stored files, we advise a proactive approach. When booking the loans, make sure you set up GLs for each loan that you can use to track all activity in a separate file that you keep behind when you send the files to storage. When unexpected issues happen, you'll have the information to resolve them.

As a lender, it's important to consider the possibility of liquidation throughout the loan process, and prepare for the unexpected. Taking proactive steps will save valuable resources - and importantly help your financial institution maintain a successful SBA portfolio. Our JRB Team of former financial institution executives and SBA experts can assist you in setting up loan files to cover unexpected contingencies. Give me a call at 626.688.2125 to discuss your specific needs. Or check out our full range of services at www.jrbrunoassoc.com.

Joanna

Joanna Bruno
President

J.R. Bruno & Associates
870 Market Street, Suite 462
San Francisco, CA 94102
415.362.1200
626.688.2125 cell
joanna@jrbrunoassoc.com

Visit us at www.jrbrunoassoc.com