J.R. BRUNO & ASSOCIATES

G.A.P. TEAM

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

SBA Workouts and Liquidation

We all need a little help from our friends - just don't expect it to come from the SBA. SBA workout, liquidation, and collateral exhaustion processes are clearly defined; however the SBA's role in directing them has diminished.

In January 2004, the SBA centralized its portfolio of 7(a) liquidation loans at the Herndon National Purchase Center in Herndon, Virginia. As part of this centralization, the SBA reduced its direct efforts throughout the liquidation process. This puts additional pressure on Lenders to take full control over their troubled SBA loans.

- SBA 504 loans normally have a clear workout plan from the get-go because primary collateral is generally one piece of commercial real estate that, in turn, is liquidated. Proceeds are then paid to the appropriate beneficiaries.

- 7(a) loans tend to be more complex due to multiple collateral pieces securing one single venture. Also, each collateral piece can have varying position. That is to say, a 1st lien position [on all secured assets] isn't always the case when securing small business loans. Often times, lenders are forced to work through existing UCC Liens in order to define the exact order the Lenders' security position falls into. Furthermore, recouping outstanding balances from personal guarantees (of listed principals) adds more intricacy to the process.

In order to help the workout process, lenders should divide workout plans into two categories. There should be one for the small business and another for the individual guarantors, respectively. Seeing separation early on and devising separate strands of action to achieve one single goal can help immensely when faced with an unfortunate liquidation.

Stay one step ahead of the SBA Requirements by talking to a trained specialist at J.R. Bruno & Associates.

###