


When the Deal Goes Bad

NENEDD LOAN PORTFOLIO

- ◆ \$9.97M - current loan funds
 - ◆ 26 counties in northeast and north central Nebraska
 - ◆ 271,000 - total population
 - ◆ 341 loans
 - ◆ 1,651 jobs created/retained
 - ◆ \$65,889 - average loan
 - ◆ 6.52% loan loss over 25 years
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- A stylized, dark teal mountain range graphic is located in the bottom right corner of the slide, partially overlapping the text area.

A map of Nebraska showing its 93 counties. Fourteen counties are highlighted in orange: Cherry, Keya Paha, Boyd, Brown, Rock, Holt, Grant, Hooker, Thomas, Blaine, Loup, Garfield, Wheeler, Antelope, Pierce, Wayne, Dixon, Dakota, Thurston, Madison, Stanton, Cuming, Burt, Boone, Platte, Colfax, Dodge, Washington, Nance, Butler, Saunders, Douglas, Sarpy, Cass, OTOE, Johnson, Nemaha, Pawnee, and Richardson. The remaining 79 counties are white with black outlines and labels.

IDENTIFYING QUALITY PROJECTS

- ◆ Existing Business Purchase
 - ◆ Start up Business
 - ◆ Other
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Existing Business Purchase

- ◆ Shows a profit
 - Positive cash flow
- ◆ New owner(buyer) has experience
 - Key employee(s)
- ◆ Basis for Proforma
 - Previous performance
 - Modified for changes with new ownership
- ◆ Favorable credit
- ◆ Adequate equity injection
 - More than just the minimum 10%
- ◆ Adequate/quality collateral
- ◆ Thorough business plan
- ◆ Spouse's employment
- ◆ Completed application

START UP BUSINESS

- ◆ Owner/operator has experience
 - Key employee
- ◆ Basis for proforma
 - Market analysis
 - Product knowledge
- ◆ Above minimum equity injection
 - 20-30%
- ◆ Spouse's employment
- ◆ Favorable credit
- ◆ Thorough business plan
- ◆ Adequate/quality collateral
- ◆ Completed application
- ◆ Contractor &/or vendor estimates


OTHER

- ◆ Google search
 - ◆ Finding “untruths”
 - ◆ Sticking to the business plan
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COMMUNICATION

- ◆ Let them know up front – We want to help out if things aren't working as planned.
 - Collection Alternatives
 - Annual Site Visit
 - Possible Rescheduling Agreement
- ◆ Adequate collateral
- ◆ Establish procedures
- ◆ Identify Quality Projects

ADEQUATE COLLATERAL

- ◆ Real Estate
 - ◆ Business Personal Property
 - ◆ Guaranty
 - ◆ Insurance
 - ◆ Other
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REAL ESTATE

◆ Deed of Trust (Mortgage)

- Business real estate
- Personal residence
 - ◆ owner
 - ◆ other
- Most times in a subordinate position to a bank

◆ Trustees Sale (Foreclosure)

- Subordinate lien position goes away

BUSINESS PERSONAL PROPERTY

◆ UCC – Financing Statement Security Agreement

- Furniture, fixtures, equip, inventory, A/R, etc.
- Include owners names as individuals
- Continue (renew) every 5 years
- Purchase Money Security Interest


GUARANTY

- ◆ Personal
 - ◆ Corporate
 - ◆ Co-signer
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INSURANCE

- ◆ Life Insurance Assignment
 - Amount of the loan
 - Life of the loan
- ◆ Mortgagee
 - Real estate
- ◆ Loss Payee
 - Business Personal property (furniture, fixtures, equipment, inventory, etc.)
- ◆ Additional Insured
- ◆ Follow up
 - Non-renewal
 - Lapse
 - Change insurance companies/agents

OTHER

- ◆ Vehicles
 - ◆ Guns
 - ◆ Stocks/Bonds
 - ◆ Misc.
 - ◆ Equal Collateral Agreement
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Payment Structure

- ◆ All loan payments are set up as ACH (automatic payment)
- ◆ Due the 1st of each month
- ◆ Business owner is contacted within 2-3 business days of non-sufficient funds (NSF) - \$5.00 fee
- ◆ Participating Bank is also contacted to verify if there are bank payment problems as well.
- ◆ Late payments have a \$25.00 fee if not paid by the 10th of the month
- ◆ 3 missed payments and a Default Notice is sent and filed with assistance of our attorney

ESTABLISH PROCEDURES

◆ Delinquent Payments

- Contact client and other lenders after each late/delinquent payment
- All communication is tracked in database

◆ Default Notice

- Educate - Explain to client what can happen
- Sent after 90 days delinquent
- Given 30 days to cure the default
- Most times this gets their attention and they find a way to get payments caught up

Rescheduling Agreements

- ◆ Staff has the authority to do a one-time 3 month deferral or interest only plan
 - All other requests have to be board approved
 - Usually term is extended

As a last resort

- ◆ Reduced payment amount
- ◆ Waive fees
 - Annual service & late fees
- ◆ Lower interest rates or no interest
- ◆ We have never negotiated for a lump sum payment

COLLECTIONS

- ◆ Trustee's Sale (real estate)
 - Follow in the wake of the bank
 - Subordinate position is gone
- ◆ Collection of personal property
 - Varies from state to state
 - Notify authorities
- ◆ No assumed loans
- ◆ We do not report to credit reporting agency

CONTACT

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