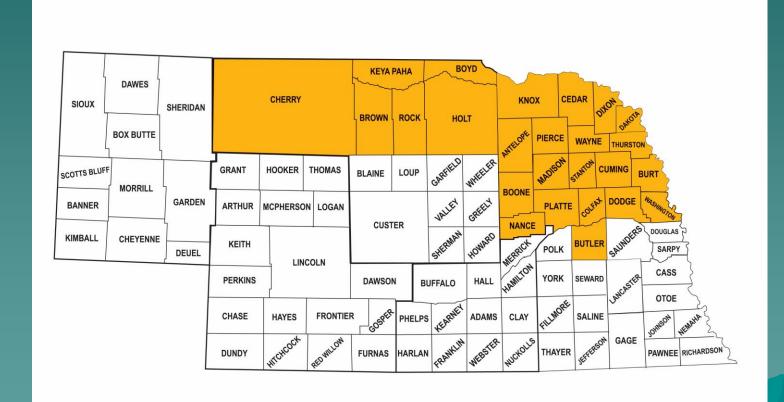


When the Deal Goes Bad

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

NENEDD RLF SERVICE AREA



IDENTIFYING QUALITY PROJECTS

- Existing Business Purchase
- Start up Business
- Other

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

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
- <u> ◆Other</u>

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

◆ <u>UCC - Financing Statement</u> <u>Security Agreement</u>

- 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

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

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

NENEDD

Jeff Christensen, EDFP, ABPA 111 S. 1st Street Norfolk, NE. 68701 (402) 649-7223 jeff@nenedd.org