

MEMORANDUM

To: *Real Estate Loan Officer's Desk Reference* Subscribers

From: Ed Pace, Senior Vice President, Sheshunoff Information Services

Subject: Highlights

CONTACT THE AUTHOR

Your author invites a two-way dialogue with subscribers to this manual. His email address is eepace@gmail.com. Please include a telephone number in your email. If you have subscription problems or would like information on another Sheshunoff product, please call our client services department at 1-800-456-2340. We also invite you to visit our website at www.sheshunoff.com.

SUPPORT PAPERS AND NEWSLETTERS

Please maintain the support papers and newsletters we send you in independent files, separate from your manual. Hard copies of the following are attached; digital copies are in appropriate folders on the CD:

- **White Paper: Minimizing Bankruptcy Losses.** Bankruptcy filings are up dramatically in 2008. This white paper has the potential of starting your bank down a path that cuts bankruptcy losses by a third. This paper recommends that the bank use hardball tactics with bankrupts; then it explains how to do this.
- **White Paper: Real Estate Market Conditions and Common Sense.** Problem real estate loans are the only major problem at many community banks. This paper suggests a common sense approach to holding real estate problems to manageable levels.
- **Legal and Regulatory Compliance Newsletter.** This is a recurring newsletter. It reports on compliance and regulatory matters that cross our desks between updates.
- **Court Cases Newsletter.** This is also a recurring newsletter. It is based on court cases reported in the legal literature between update mailings.

MANUAL AND CD CHANGES

- **Commercial Real Estate Lending.** This is the hot topic of 2008. Boards, CEOs, and bank examiners are all paying close attention these days to commercial real estate policies and procedures. This caused us to take a close look at your manual's commercial real estate lending guidance. We decided this was an opportune time to reorganize our presentation of the chapters in your manual. We took the following steps:
 1. We revised our material on construction lending and moved it to the Chapter 2 position in your manual.
 2. Similarly we revised our material on tract development lending and made it our new Chapter 3.
 3. We carefully reviewed our guidance in Chapter 1 (model real estate lending policies and procedures) and found nothing that needed updating.

4. We combined our chapters on traditional and nontraditional home mortgage lending into one chapter (new Chapter 4). We did this because nontraditional lending is a topic so devoid of interest these days that we could no longer justify it being a stand-alone chapter.
- **ACH Risk Management.** This quarter we added a model ACH risk management policy statement to Chapter 7, and we rewrote our ACH risk management procedures in Chapter 8. Business customers are using ACH for both debits and credits these days, and there are risks associated with both uses. Our new material in Chapters 7 and 8 explain these risks, and it also outlines risk control procedures.
 - **Lending to Limited Liability Companies and Partnerships.** This quarter we rewrote our material in Chapter 8 on lending to limited liability companies and limited liability partnerships. More and more real estate entrepreneurs are using one or the other of these forms of organizations and both have risks and both require special forms of documentation.
 - **Managing Real Estate Environmental Risks.** This quarter we revised Chapter 9. The revised chapter contains some very practical steps that will minimize loan loss risk due to contaminated real estate collateral.

THE CD

Feel free to use the files on the CD to customize our work so that it can be used to fill your needs. The files are in Microsoft Word® and Excel® formats. Among the files on the CD are all the chapters in the manual, copies of previous newsletters, and dozens of papers placed in the following support folders:

- White Papers (This folder contains copies of white papers sent you during the last two or three years.)
- Compliance Papers (There are about 50 compliance papers in this folder. These papers contain compliance reference material written in lay language.)
- Bankruptcy Papers (These papers explain important techniques that can be used to minimize bankruptcy losses. Consult these papers regularly when bankruptcy situations arise.)
- Financial Statement Analysis Papers (These papers provide instructions on how to spread and analyze commercial business financial statements. Among the files are Excel spreadsheets specifically developed so that they can be used to spread and analyze financial statements at your bank.)
- Problem Loan Management Papers (These papers explain how you should manage problem loans as they progress through various stages of deterioration and/or recovery.)
- Excel Files (These spreadsheets work in conjunction with Excel formatted models that appear either in the manual or on the CD.)