

MEMORANDUM

To: *Retail Loan Officer's Desk Reference* Subscribers

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

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

- **Organizing for Retail Loan Operations.** This quarter we rewrote and updated our material on how the loan function should be organized at your bank. We believe that major new efficiencies can be realized at a bank by following the recommendations contained in Chapter 1 of your manual. Better customer service would be an important byproduct of this organizational change.
- **Retail Credit Underwriting.** Chapter 2, Retail Credit Underwriting, received a major re-thinking and rewriting this quarter. Please peruse this updated chapter closely as soon as you can.
- **ACH Risk Management.** This quarter we added a model ACH risk management policy statement to Chapter 3, and we rewrote our ACH risk management procedures in Chapter 16. More and more customers are using ACH for both debits and credits and there are risks both ways. These risks are explained in our modifications to Chapters 3 and 16.

- **Retail Loan Administration.** We also made a major revision to Chapter 4 this quarter. Revised Chapter 4 contains material that used to be in chapters 4A, 4B, 4C, 4D, and 4E. It also contains some fresh ideas on how retail lending functions should be managed.
- **Lending to Limited Liability Companies and Partnerships.** This quarter we rewrote our material in Chapter 16 on lending to limited liability companies and limited liability partnerships.
- **Managing Real Estate Environmental Risks.** This quarter we revised Chapter 34. The revised chapter contains some very practical steps that banks should be taking to 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.)

Please file the changes to your manual using the instructions on the following page.

FILING INSTRUCTIONS

Remove Current Pages

4/08 title page through xxxii
Old Chapter 1, 1-i through 1-24
Old Chapter 2, 2-i through 2-66
3-i through 3-2
Old Chapter 4, 4-i through 4-32
Old Chapter 4A, 4A-i through 4A-16
Old Chapter 4B, 4B-i through 4B-8
Old Chapter 4C, 4C-i through 4C-4
Old Chapter 4D, 4D-i through 4D-6
Old Chapter 4E, 4E-i through 4E-12
16-i and 16-ii
16-25 through 16-42
Old Chapter 34, 34-i through 34-10

Replace with Updated Pages

6/08 title page through xxxii
Updated Chapter 1, 1-i through 1-24
Updated Chapter 2, 2-i through 2-46
3-i through 3-2
New Chapter 4, 4-i through 4-38
None
None
None
None
None
16-i and 16-ii
16-25 through 16-42
Revised Chapter 34, 34-i through 34-10