

## SBA and IRS Cooperate on Loan Collections

SBA is participating in a pilot program with The Internal Revenue Service to collect selected severely delinquent loans by offsetting tax refunds. This is part of the increased emphasis on collection of government loans as outlined in the Debt Collection Act of 1982 and the Deficit Reduction Act of 1984. Although the initial program will include only Disaster Home Loans, it is expected to be expanded to other SBA programs in the near future. Under the plan, SBA will notify borrowers of its proposed action and allow sufficient time for the borrower to correct delinquency or negotiate an acceptable repayment plan. If the borrower fails to cooperate, the account will be referred to the IRS and any tax refunds due will be offset and the funds applied to the loan. The Agency may also consider other actions, such as referral of the case to a private collection agency or reporting the delinquency to credit bureaus. Other agencies are also participating to collect Guaranteed Student Loans and Veteran Administration Loans. The initial 60 days of this program resulted in \$1,600,000 repayments nationally with substantial additional collections expected.

### Purchase of SBA's Guaranty

If a borrower is 60 days or more delinquent in making payments on an SBA guaranteed loan, the lender can request SBA to honor its guaranty. This is commonly referred to as a "buy-back" request. Upon receipt of a "buy-back" request, the SBA will provide the lender with written confirmation and instructions. Upon receipt and verification of the necessary documentation, the amount of the principal and interest guaranteed by SBA will be sent to the lender by wire transfer.

The following items often cause problems in computing the amount of the buy-back:

All payments made by the borrower must first be applied to accrued interest, with the balance applied to the principal.

Generally accumulated interest in excess of 180 days will not be paid by SBA.

If the loan carries a variable rate of interest, it will be converted to a fixed rate loan effective on the date the loan went into default even if loan servicing is retained by the lender. It is important that SBA be advised of the date the loan went into default and the rate of interest in effect on that date.

These items often prevent SBA from making timely approval and transfer of buy-back funds:

Inadequate documentation for title and lien position in real estate collateral to insure compliance with the SBA Loan Authorization. A

mortgagee's policy or tract book search will usually fulfill this requirement.

Inadequate and or timely lien filings. An original UCC-1 and a current UCC lien search should be provided in every case.

Lack of mortgage clause and/or lenders loss payable clause on hazard insurance protecting pledged real and/or personal property.

### Loan Activity Fiscal Year 1985

The Chicago District Office and its Springfield Branch approved 782 loans totaling \$131.5 million during the fiscal year ending September 30, 1985. These included 74 direct loans totaling \$6.7 million. Also included in these figures were 27 Certified Development Company Debentures totaling \$5.8 million.

### Quality Lending

SBA continues to receive loan guaranty applications on behalf of businesses that have little or no likelihood of generating the cash flow sufficient to service the debt and other obligations. Such loans do not meet SBA's quality lending criteria and cannot be approved. While SBA does have "upper end" requirements for use of personal resources and credit elsewhere test, this Agency is not a lender of last resort for credits that do not show "reasonable assurance" of repayment.

The determination of "reasonable assurance" is the product of a thorough, professional credit analysis resulting in a judgement that the business will be able to repay the loan in an orderly manner. Many potential and existing bank customers can meet SBA standards, yet due to the need for extended maturities, an insufficient track record, and inadequate collateral, they may not meet the bank's standards. Such credits are ideal candidates for an SBA guaranty. If, however, the applicant does not meet the bank's credit standards due to an unsatisfactory profit history, unsupported projections, or because of other significant adverse factors, it will not meet SBA's quality lending criteria either.

## STOP/READ

Jefferson High School Leadership Class invites all alumni to attend the Thursday, October 9th Homecoming Football Game. Jefferson (3-1), off to its best start in years, will battle Cleveland (3-1) at 7:00 pm on Hopkins Jenkins Field (5210 N. Kerby). The presence of all alumni will be acknowledged at half-time of the game.

\$60.00 PER HUNDRED PAID

for remailing letters from home! Send self-addressed, stamped envelope for information/application. Associates, Box 95-B, Roselle, NJ 07203

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### Color Pictures For Your Garden

A six-week, Tuesday evening class designed for gardeners who want to create year-round color compositions in their garden landscapes is being offered by the World Forestry Center, Tuesdays, October 7 through November 11, 7:00 p.m. to 9:00 p.m.

Join professional garden designer Barbara Ashmun, as she shows how to combine trees, shrubs, perennials, bulbs, ground covers and annuals to create beautiful color displays.

Ashmun has been a professional garden designer for seven years. Her planned sequence of bloom will allow gardeners to get continual color in their gardens, month by month. Slides, lecture and discussion will inform and inspire both inexperienced and advanced gardeners.

Cost is \$35 for World Forestry Center members and \$40 for others. To register, contact the Forestry Center at 4033 S.W. Canyon Road, Portland, Oregon 97221, (503) 228-1367.

### Christmas Clearing Bureau Briefing To Be Held

Multnomah County needs to help more needy families this season. In response to that need, a coalition of Christmas Helping Agencies have united to better serve the needy of Multnomah County. This Multnomah County Christmas Clearing Bureau will help all agencies avoid duplication of services. An additional goal of the Christmas Clearing Bureau is to enable agencies, businesses and churches to work together.

Volunteers of America of Oregon, United Way, Snow-Cap, St. Vincent de Paul Society, William Temple House, Dist. No. 10 Toy & Joy Makers, The Salvation Army, Sunshine Division, Adult and Family Services, and Ecumenical Ministries of Oregon have united to serve the needy families of Multnomah County this Christmas season.

The Multnomah County Christmas Clearing Bureau will hold its first briefing at St. Francis Dining Hall, S.E. 11th & Pine, in the church basement, on Thursday, October 2 at noon.

For more information, contact Tim Hornbecker, (503) 235-8431.

### Blood Clinic

A public Hypertension (blood pressure) Screening clinic is scheduled Thursday, November 6, from 1:30-3 p.m., at the new King City Retirement Center, 11777 SW Queen Elizabeth, King City. The clinic will be staffed by registered nurses from Meridian Park Hospital, Tualatin. The clinics are scheduled the first Thursday of each month, appointments are not necessary, and there is no charge. For more information, call 692-2656.

# What kind of car do you want? And what kind of terms?



Whip out a pencil and look at the chart.

Then you'll really appreciate the astonishing flexibility of consumer loans at First Interstate Bank of Oregon.

You can arrange a loan with the ideal monthly payment to fit your budget. For a new car. Late-model used car. RV. Boat. Vacation. Or home improvements. Suppose you want a new car, or

maybe a used '85 or '86 car. You decide your monthly payments, if you want a longer time to pay, or even if you want to make a down payment at all.

The same flexibility applies to premium used cars of recent model years and all other consumer loans. (Certain restrictions do apply. And you must qualify, of course.)

Convenient as that may be, there's

more. First, you can qualify for a 1/2% discount off the normal interest rates with automatic payments from your First Interstate Bank checking account.\* Second, with the right credit information, we can have your money ready the same day.

Apply for your loan today by calling or visiting First Interstate Bank. And remember who decides the terms.

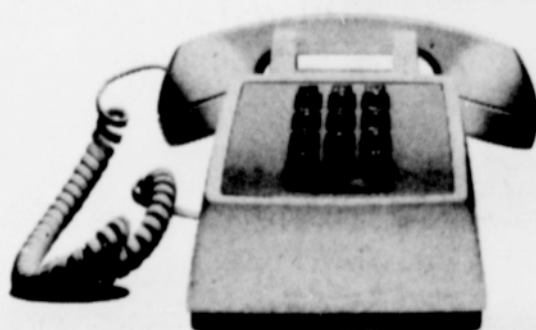
### Examples of Typical Loans<sup>1</sup>

#### Payment Terms 60 Months

New Car Selling Price	0% Down			10% Down			20% Down		
	Amount Borrowed	Equal Monthly Payments	Annual Percentage Rate <sup>2</sup>	Amount Borrowed	Equal Monthly Payments	Annual Percentage Rate <sup>2</sup>	Amount Borrowed	Equal Monthly Payments	Annual Percentage Rate <sup>2</sup>
\$ 7,000	\$ 7,000	\$151.32	11.06%	\$ 6,300	\$136.18	11.10%	\$ 5,600	\$121.05	11.14%
\$10,000	\$10,000	\$216.17	10.97%	\$ 9,000	\$194.55	10.99%	\$ 8,000	\$172.93	11.02%
\$14,000	\$14,000	\$302.63	10.90%	\$12,600	\$272.37	10.92%	\$11,200	\$242.11	10.94%
\$18,000	\$18,000	\$389.10	10.87%	\$16,200	\$350.19	10.88%	\$14,400	\$311.28	10.90%

<sup>1</sup>Does not include AdvanceLine, VISA<sup>®</sup>, MasterCard<sup>®</sup>, student loans, real estate loans, and business loans.

<sup>2</sup>Rates shown are subject to change. Reflects \$50.00 loan fee paid in cash—Interest rate 10.75% (Includes 50% discount with automatic payments)



### LOAN HOTLINE

Call weekdays from 10 a.m. to 7 p.m., weekends from noon to 5 p.m. Portland: 225-4000 Outside Portland: 1-800-228-0454

