# Crossroads
Credit & Portfolio Management LLC


*Your Special Assets & Problem Loan Resolution Specialist*



## Your Special Assets & Problem Loan Resolution Specialist

*We are Community Bankers helping Community Bankers*

Our team of experienced banking professionals assists community and regional banks in the Southeastern US with the management of their loan portfolios.

We provide the specific services required to enhance loan performance and achieve desired credit quality goals. And we do it more effectively and efficiently than the bank can perform these functions internally.

Our professionals have more than forty years experience in collections, problem loan resolution, negotiations, workout management, foreclosure, repossessions, OREO management, loan administration, secondary mortgages, CRE management, commercial and consumer lending, non performing classified loans, loan loss reserve allocation, special assets management, FDIC loss share agreements, portfolio management and regulatory compliance.

Contact us to learn how Crossroads Credit and Portfolio Management LLC can work for you.

Crossroads Credit & Portfolio Management LLC | PO Box 743 | Elkin, NC 28621 | 336-366-7700

# Crossroads
Credit & Portfolio Management LLC


*Your Special Assets & Problem Loan Resolution Specialist*



## WHO WE ARE



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## About Us

*We change our clients' challenges into opportunities*

Our team members bring similar experience, skills and determination to change our clients challenges into opportunities. We have over forty years experience in collections, problem loan resolution, negotiations, workout management, foreclosure, repossessions, OREO management, loan administration, secondary mortgages, CRE management, commercial and consumer lending, non performing classified loans, loan loss reserve allocation, special assets management, FDIC loss share agreements, portfolio management and regulatory compliance.

We are Community Bankers helping Community Bankers. We have faced the stresses of deteriorating credit quality, rising past dues levels and OREO. We understand the pressures faced by Bank management from the Board of Directors, your state and federal Regulators, Auditors, Shareholders and Customers while trying to maintain safe consistent growth and increased profits.

We invite you to review What We've Achieved. In each case, Crossroads Credit and Portfolio Management LLC was able to assist our client Bank from experiencing significant losses. In each case, the Bank's management would have gone in a different direction had Crossroad Credit and Portfolio Management LLC not been involved.

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*Member North Carolina Bankers Association*
*Member South Carolina Bankers Association*
*Member Community Bankers Association of Georgia*
*ICBA Corporate Associate Member*

References avaliable upon request.

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- A formal, written resolution plan, including the resolution and/or litigation strategy, estimated resolution timeline and resolution budget will be presented by Crossroads Credit and Portfolio Management LLC and approved by senior management of the bank or their designee.
- The approved resolution plan will provide for all delegated responsibility, as well as the process for any required approval of actions and settlements.
- If there is a significant recommended change in strategy, a revised new resolution plan will be submitted for approval.
- Crossroads Credit and Portfolio Management LLC will provide the Bank with a written summary progress report on all loans for which they have received assignment on a monthly basis. All important developments will be communicated on the same day as realized.

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# Crossroads
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RECOVERY AHEAD

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## Management

*"Crossroads Credit and Portfolio Management LLC will provide our client's with the best service possible with positive and measured results, quickly, effectively, efficiently and in a professional manner. That is my promise!"*

Richard D. Burleson - Managing Director

Richard has a work ethic unmatched by most. He is dedicated to "doing it right the first time" and this is demonstrated in his approach handling his client banks and their customers.

Richard is a graduate of Appalachian State University, with a Bachelor's of Science degree in Criminal Justice and a graduate of the North Carolina School of Banking.

After a short career in law enforcement, Richard made a career change when he entered a management training program with a nationally known consumer finance company. Richard was promoted branch manager after he completed an extensive training program which focused on the credit principles of consumer lending, real estate lending and loan collections. Over the next 4 years Richard grew his office to the best in the region and one of the top five in the company with sustained and consistent growth. Along the way he won the President's Cup for "Best Branch Turn Around". During that time Richard demonstrated excellent loss mitigation skills, compliance skills, underwriting and credit skills while leading his office to previously unrealized growth.

In 1999, Richard entered the banking industry and immediately carved out his niche as a Loan Compliance and Collections Officer for one of the best community banks in North Carolina. Under Richard's leadership of this group the bank had two consecutive years in which they recovered more from previous charge offs then were charged off for the current year.

He later took the initiative to go back to lending side of the business and served in the following lending positions: City Executive, Sr. Loan Officer, and Sr. Commercial Loan Officer. As an Area Manager for one bank, Richard was responsible for the lending functions of a multi-branch operation as well as the compliance, legal, collections and special assets departments.

Next, Richard focused his efforts on the credit side of the bank as Chief Credit Officer of a $520 million dollar community bank where he managed the entire loan program.

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## Our Team

*We are Community Bankers helping Community Bankers*

Our team members bring experience, skills and determination to change our clients' challenges into opportunities. We have over 40 years of experience in collections, problem loan resolution, negotiations, workout management, foreclosure, repossessions, OREO management, loan administration, secondary mortgage, CRE management, commercial lending, consumer lending, non performing classified loans, loan loss reserve allocation and special assets management.

| | | |
|---|---|---|
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# Crossroads
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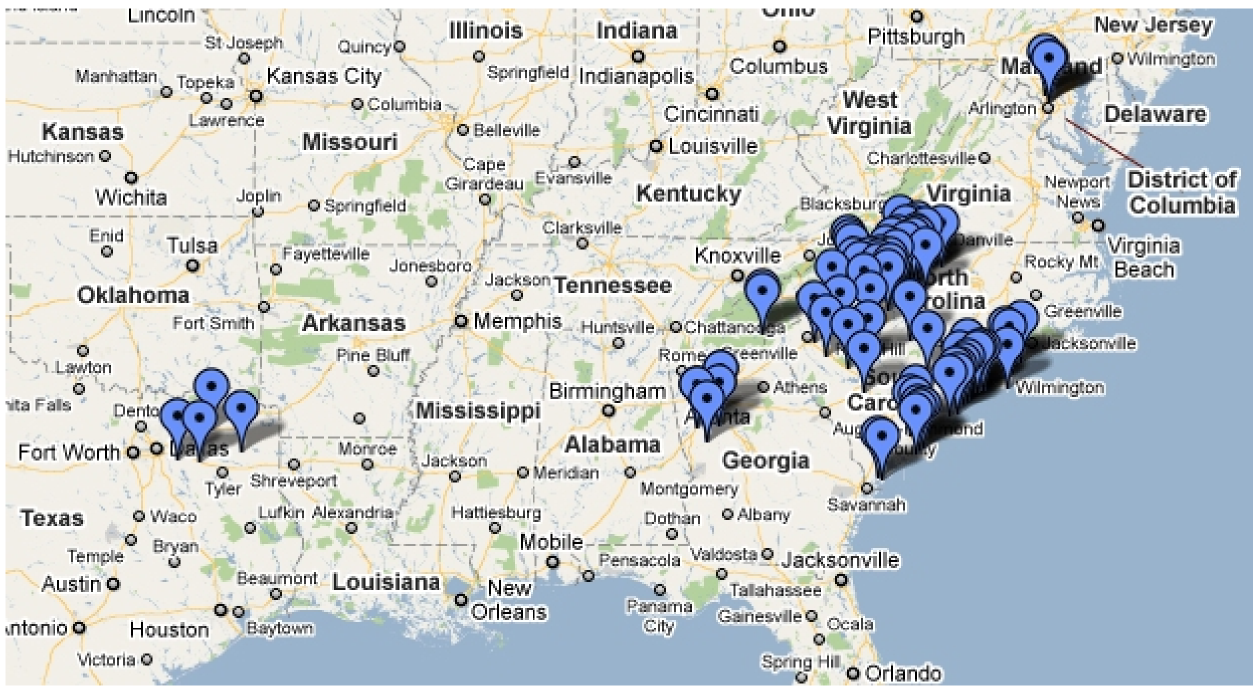
## Locations We Have Served

We have assisted community and regional banks throughout the South, Southeast and Mid-Atlantic.

In each case, Crossroads Credit and Portfolio Management LLC was able to assist our client Bank from experiencing significant losses. In each case, the Bank's management would have gone in a different direction had Crossroad Credit and Portfolio Management LLC not been involved.



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## News

*January, 2011*

Recovery Ahead - News from Crossroads Credit & Portfolio Management LLC
The Best Defense is a Good Offense

As we begin 2011 and as I reflect on the past year, the one thing that continues to ring clearly for our clients is the need to go on the offensive. We are Community Bankers helping Community Bankers. As all banks, but particularly Community Banks, attempt to deal with their problem assets, we so often observe how they have become defensive in their approach to their problems and in preserving their capital. Although we understand this approach, we must remember that the winning teams may start with defense, but without an offense we will never be successful. Read complete article

*January, 2011*

Recovery Ahead - News from Crossroads Credit & Portfolio Management LLC
Best Practices for Problem Loan Management

Since the start of the financial crisis, the number of problem loans has increased as real estate values declined, credit markets tightened, and various companies struggled to survive and stay in business during this recession. For bankers who made loans secured by real estate, these banks are now being faced with loan defaults and deciding how to best handle their current situation. Read complete article

*January, 2011*

Recovery Ahead - News from Crossroads Credit & Portfolio Management LLC
Problem Loan Services

In most cases, it is neither effective nor efficient for a loan officer or other senior officer of most community banks to engage in problem loan resolution, workout management or special assets. Read complete article

*June 03, 2010*

Crossroads Credit & Portfolio Management LLC has been selected to appear on 21st Century Business Television series.

Multi-Media Productions (USA), Inc. is pleased to announce that Crossroads Credit & Portfolio Management, LLC will be featured on 21st Century Business.

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WELCOME WHO WE ARE WHAT WE DO WHAT WE'VE ACHIEVED LET'S GET STARTED

WHAT WE DO

Problem Loan Services

FDIC Loss Share Agreements

Portfolio Management

Regulatory Compliance Services

Continuous Loan Review

## Problem Loan Services

In most cases, it is neither effective nor efficient for a loan officer or other senior officer of most community banks to engage in problem loan resolution, workout management or special assets. The assigned loan officer is often inexperienced and to some extent compromised by personal relationships with the borrower. This often results in the loan officer being distracted from a more productive role as a producer of profitable banking relationships.

Even in banks of sufficient size with the ability to hire a staff of Special Assets Officers, it is more effective and efficient to utilize an outsourcing of the Problem Loan Resolution, Workout Management and Special Assets function for the bank's problem loans. We believe that the knowledge, talents and experience of our staff in these areas will typically far exceed that of the employees the bank is able to attract to these positions. Additionally, the expenses related to internal staffing are fixed and non-controllable; whereas, the expense of outsourcing the Special Assets function is a variable and controllable expense.

There are other benefits to outsourcing the resolution of problem loans. Since Crossroads Credit and Portfolio Management LLC is a contractor with no loan authority, there is no role confusion in workout situations avoiding the possibility of lender liability. Also, your loan officers can remain independent of and untainted by the workout process which can lead to a bad reputation in the market.

Crossroads Credit and Portfolio Management LLC recognizes there are sensitive concerns for any bank utilizing an outside contractor. We understand your concerns. After all, we are community bankers. Crossroads realizes its actions could impact the image of the Bank in the community. We will take the utmost care in representing your bank in a professional and courteous manner.

An overview of the terms and conditions for outsourcing the Problem Loan Resolution, Workout Management and Special Assets function should include the following:

- All loan assets to be handled on an outsourced basis should be assigned to Crossroads on a monthly, quarterly or other determined basis.
- We suggest a pre-assignment meeting between a representative of senior management, the current loan officer, and a representative from Crossroads Credit and Portfolio Management LLC to fully discuss the loan history, current situation, actions to date and alternative resolution strategies.
- A formal, written resolution plan, including the resolution and/or litigation strategy, estimated resolution timeline and resolution budget will be presented by Crossroads Credit and Portfolio Management LLC and approved by senior management of the bank or their designee.
- The approved resolution plan will provide for all delegated responsibility, as well as the process for any required approval of actions and settlements.

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# FDIC Loss Share Agreements

After the FDIC has taken over a failed bank, we provide advice on loss mitigation and aid you through the Loss Share Agreement, Loan Workouts and portfolio maintenance, including portfolio liquidation. We provide:

- Case Management preparation or review of various loan documents to insure compliance with the FDIC Loss Share Agreement
- Special Asset Management and Work-out Specialists to handle loss share loans that are versed in loss-share and regulatory requirements

Loss sharing is a common feature of purchase and assumptions agreements used by the FDIC to move failed bank assets into the private sector. Under a loss share agreement, the FDIC agrees to absorb a certain portion of losses on a failed bank's assets that are purchased by an acquiring bank. From the FDIC's standpoint, loss share transactions are simpler, reduce cash outflows and allow troubled assets to be sold or restructured in an orderly fashion instead of being sold at steep discounts in a poor market.

The FDIC uses two forms of loss sharing:

- For commercial assets, the agreements typically cover an eight-year period with the first five years for losses and recoveries and the final 3 years for recoveries only. FDIC will reimburse 80 percent of losses incurred by acquirer on covered assets up to a stated threshold amount (generally FDIC's dollar estimate of the total projected losses on loss share assets), with the assuming bank picking up 20 percent. Any losses above the stated threshold amount will be reimbursed at 95 percent of the losses booked by the acquirer.
- For single family mortgages, the length of the agreements tend to run for 10 years and have the same 80/20 and 95/5 split as the commercial assets. The FDIC provides coverage for four basic loss events: modification, short sale, foreclosure, and charge-off for some second liens. Loss coverage is also provided for loan sales but such sales require prior approval by the FDIC. Recoveries on loans which experience loss events are shared in the same proportion as the original loss.

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## Portfolio Management

Crossroads Credit and Portfolio Management LLC provides portfolio management services to community and regional banks in the Southeastern US.

Portfolio Management services include:

- Preparation of portfolio analysis including concentration plans and analysis
- Portfolio trending
- Risk assessment
- Loan and collateral review
- Problem asset portfolio management
- Allowance of loan loss analysis

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Problem Loan Services

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## Regulatory Compliance Services

Crossroads Credit and Portfolio Management LLC provides services to assist community and regional banks in the Southeastern US in compliance with regulatory agreements and orders.

Regulatory Compliance services include:

- Assistance with compliance and preparation of plans, analysis and documents that are required pursuant to the regulatory agreements and examinations
- Tracking for compliance and preparation of action plans
- Trending analysis and portfolio analysis mandated by the regulatory supervisory agencies

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Continuous Loan Review

# Continuous Loan Review

Crossroads Credit and Portfolio Management LLC provides a professional and regulatory-compliant Continuous Loan Review program that is implemented at a cost substantially less than the cost of an internal department, and typically less than the cost of one FTE.

Our Continuous Loan Review consists of regular on-site reviews of new and renewed loans, as well as existing loans, impaired loans, watch list and non accruing loans. Additionally, Crossroads offers recommendations for improvement in the loan administration processes, lending procedures and compliance programs. When appropriate, Crossroads will provide follow-up review on exceptions, deficiencies and adopted recommendations.

Continuous Loan Review includes, but is not limited to, a monthly, quarterly, semi-annual or annual review of new and renewed loans. We monitor the reporting and clearing of exceptions to loan policy, procedures, documentation and servicing requirements. As part of the continuous loan review, we examine the loan portfolio's payment performance and periodic servicing requirements with special attention given to watch list and criticized loans. Crossroads Credit provides reporting to Executive Management, Board of Directors and the Audit Committee as often as the Bank desires. We offer recommendations on credit grades, general and specific loan reserves, charge-offs and loss projections as well as recommendations for resolving noted deficiencies and suggest enhancements for loan policy, procedures and controls.

A Continuous Loan Review program provides for an early warning system in the management of the loan portfolio and serves to consistently reinforce the bank's desired credit culture.

A professional and effective loan review function within the bank can help to ensure the maintenance of a quality and profitable loan portfolio, and can save many headaches and resources during Regulatory examinations.

## Summary of the Benefits of Continuous Loan Review

- A more current assessment of underwriting and documentation for new, renewed and modified loans.
- More frequent and consistent reporting on loan quality to Senior Management and the Board of Directors.
- Ability to follow up on the correction of documented deficiencies and exceptions and the implementation of adopted recommendations.
- Working closely with Senior Management, it provides for continuous positive instruction and reinforcement of the desired Credit Culture.
- Provides for a greater assurance that the corporate governance responsibilities of Senior Management and the Board of Directors regarding the loan portfolio are satisfactorily met.

# Crossroads Credit & Portfolio Management LLC

Your Special Assets & Problem Loan Resolution Specialist





## Things Can Improve Quickly

Crossroads Credit and Portfolio Management LLC was successfull in assisting a client obtain a reduction in their non performing loans by 30% and a reduction of their past due loans from 4.45% to 1.49% in just 60 days!

How was this achieved?

Sound banking and workout principles.

We worked out the credits to provide the customer with relief, the bank with a better cash flow and collateral.

Proof that things can change quickly!

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*In each case study, we were able to assist our client Bank from experiencing significant losses. In each case, the Bank's management would have gone in a different direction had Crossroad Credit and Portfolio Management LLC not been involved.*

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## Spec House Recovery with a Little Ingenuity

Residential contractor folded offering a deed in lieu on two spec houses, one complete the other 70% complete.

Both loans were full advanced with numerous trade payables outstanding.

We opted to institute a friendly foreclosure in which the borrower waived its hearing rights.

Once possession of the property was obtained, the bank marketed the completed property which was sold for recovery of full balance and fees.

As is offers on the incomplete house would have resulted in a $200M loss.

We received approval from Bank management to engage a general contractor to complete the other spec house. Terms were a 50/50 split of profits from sale.

Ultimately, the Bank realized a $30M profit.

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## WHAT WE'VE ACHIEVED



# Getting Creative to Solve Title Issues

There were five loans secured by doublewide mobile homes and land.

There were recorded lease purchase agreements in lien position ahead of the Bank.

One home was occupied by the original tenant under the lease purchase agreement. The whereabouts of the other tenants were unknown.

The attorney advised us to proceed with a costly, time consuming judicial sale in order to close out the lease purchase agreements in order to have clear title to the properties.

We queried the attorney and found that these tenants could sign their interest in the property to the Bank.

A search for these individuals was successful in locating 4 of the 5 tenants.

A token payment was made for them to deed their interest.

The Bank saved thousands of dollars in legal fees.

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RECOVERY AHEAD

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Things Can Improve Quickly

Spec House Recovery with a Little Ingenuity

Getting Creative to Solve Title Issues

Look Before You Leap

The Research will Save You

Get the Guarantors Involved

## Look Before You Leap

The Bank was $250M in second position on raw land in a growing area. The first was $400M.

Although the tract was four acres, the appraisal indicated only .5 acres was buildable to due to wetlands.

Property was selling for $600M/acre.

This looked like a big loss.

We did a physical inspection of the property and noticed the high water mark for the wetlands was well down the slope on the property.

An inquiry with the county planning department and a few conversations with an engineer familiar with the site revealed there could be as much as 1.8 acres buildable.

The Bank foreclosed and the property was sold at almost $200M profit.

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## WHAT WE'VE ACHIEVED



## The Research will Save You

The Bank is exposed $100M in second lien position on five residential investment properties in a declining area.

Physical inspections revealed most of the properties were occupied, but they were in fair to poor condition.

The value was not there to risk the expense of foreclosure.

We searched tax and deed records which indicated the properties may have changed hands without paying off our lien.

This evidence justified the expenditure for title searches to confirm our suspicion.

Three of the 5 houses were out deeded and the Bank was in first position with strong title claims.

The title company paid in full.

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## Get the Guarantors Involved

$975M exposure on 20 rent houses that are being mismanaged.

The managing partner misappropriated the rents letting the houses fall in disrepair and running off the tenants to less than 50% occupied.

A foreclosure would result in a six figure loss for the Bank.

We called the non-managing partner who was also a guarantor.

Once we explained the Bank's position and his exposure, he was forced to take action.

Bank management agreed to refinance the properties for the guarantor under a different entity if he could take possession.

His partner was compelled to deed him the properties and the Bank averted a large loss.

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## LET'S GET STARTED

Crossroads Credit & Portfolio Management LLC
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Our Team

## Contact Us

Name

Organization

Phone

Email

Address

City

State

Zip

How can we help you?

Contact Us Now Clear Form

News | The Best Defense is a Good Offense

*January, 2011*

Recovery Ahead - News from Crossroads Credit & Portfolio Management LLC

## The Best Defense is a Good Offense

As we begin 2011 and as I reflect on the past year, the one thing that continues to ring clearly for our clients is the need to go on the offensive. We are Community Bankers helping Community Bankers. As all banks, but particularly Community Banks, attempt to deal with their problem assets, we so often observe how they have become defensive in their approach to their problems and in preserving their capital. Although we understand this approach, we must remember that the winning teams may start with defense, but without an offense we will never be successful.

Banks have all the tools to be on the offensive right at their finger tips. It's called internal loan review. It has been our experience that the banks with an aggressive internal loan review program identify problems credits much faster than their peers that rely exclusively on annual external loan reviews. A continuous loan review program identifies problems and immediately turns them over to the Special Assets department to handle. The quicker a problem is identified the quicker it can be resolved, or the banks loss potential mitigated.

As a former CCO myself, I always hated hearing about credit down grades from my independent loan review team or the regulators. A bank's inability to provide proof of risk grade migration only lends itself to a much deeper review of the banks credits and ultimately opens the bank to potential criticism.

Let's face it, If we have problems and losses identified early enough we may chose to cut our losses and look to other strategic alternatives such as loan swaps, asset liquidations or bulk note sells.

If your organization is interested in going on the offensive but needs a little coaching on how to set up the program, give Crossroads Credit and Portfolio Management a call today. We are Community Bankers helping Community Bankers.

*Richard D. Burleson - Managing Director*

Crossroads
Credit & Portfolio Management LLC

RECOVERY AHEAD

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News | Best Practices for Problem Loan Management

*January, 2011*

Recovery Ahead - News from Crossroads Credit & Portfolio Management LLC

## Best Practices for Problem Loan Management

Since the start of the financial crisis, the number of problem loans has increased as real estate values declined, credit markets tightened, and various companies struggled to survive and stay in business during this recession. For bankers who made loans secured by real estate, these banks are now being faced with loan defaults and deciding how to best handle their current situation.

1. Review Your Loan Documents
Before any workout scenario can be successful the bank must verify that the loan documents which the loan is based upon are properly executed and provide for proper perfection of the banks lien. What lies within the four corners of the documents will make or break any possible workout scenario.

2. Review Your Collateral
The lender will want to update its evaluation of repayment sources, including available collateral for the loan and the borrowers cash flow.

3. Correct Any Deficiencies in UCC-1 Financing Statements
A common mistake on a UCC-1 financing statement is including the wrong debtor name! The lender should verify the formal legal name of the borrower. If the borrower is an entity, the UCC-1 should have the name shown on the Articles of Incorporation, Certificate of Formation, or Certificate of Partnership, as may be applicable, on file with the appropriate filing office designated by the state of the borrower's organization. (Also remember no P.O. Boxes).

4. Review the Administration of the Loan
The asset manager handling the problem loan should confer with any relationship manager or prior asset managers to flush out potential lender liability claims. For example, is there any evidence of oral agreements modifying the written loan documents, or course of conduct that may suggest implied waiver of the terms of the written loan documents?

### 5. Review Your Borrower and Guarantors

The lender also may want to update its review of the borrower and any guarantors of the loan, including taking one or more of the following steps: (a) obtain current financial information on the borrower and guarantors, (b) evaluate the current management (c) evaluate current operations, (d) evaluate external factors (e) identify the causes of the borrower's problems. (are your guarantee agreements loan specific or provide for guarantee limits). If your customer is an LLC, verify that all of the signers on the note are approved to do so on behalf of the LLC and were members at the time of loan origination.

### 6. Determine Your Strategic Position

The lender should identify defaults and potential defaults under the loan documents, checking notice and/or cure requirements and possible waiver issues. Then, the lender should evaluate the materiality of the defaults. Is there a material breach of a material obligation?

### 7. Select a Strategy

Subject to the loan structure and any documentation or collateral limitations, the lender may have various options in dealing with a problem loan, such as the following:

(a) Do nothing,(b) Gather more information,(c) Grant a temporary or permanent waiver of default,(d) Extend time to cure defaults,(e) Encourage the borrower to address its problems, (f) Conduct a least cost analysis to determine the best course of action for the bank. Workout resolution strategies vs. legal remedies, (g) Obtain additional collateral, (h) Restructure the terms of the loan, (i) Seek legal remedies.

### 8. Check for Suretyship Waivers

Depending on the applicable governing law, a guarantor of a loan may be entitled to numerous statutory defenses, which may undermine the purpose of the guaranty unless such rights and defenses are effectively waived. Guaranties typically include suretyship waivers. However, such waivers are often missing in other loan documents when the loan involves co-borrowers or third-party pledges of collateral. Suretyship rights and defenses also may arise indirectly if one loan is cross-defaulted and cross-collateralized with another loan, and the loans are made to distinct entities.

### 9. Put it all in writing

It is absolutely critical that the bank document everything about this workout scenario. The asset manager must maintain a detailed accounting of all communications, discussions, agreements, modifications and commitments. This element is critical to document your actions for the bank's management, board, regulators and bank's counsel in the event of default. Document through official correspondence with customers, (watch the e-mails) lax e-mails have killed many of the best laid workout plans.

### 10. Centralize Lines of Communication

We saved the most important practice for the last in our listing of best practices. To avoid the "end-run" around asset management, the Bank and its lenders must speak with "one voice." Whether the banks representative is an officer in the special assets department or a third party special assets manger responsible for the loan, all parties must speak with one voice.

### Conclusion

The handling of a problem loan portfolio is an exercise in loss mitigation. Banks and lenders are well served to approach it as such and remember these decisions are not credit decisions but loss mitigation decisions.

At Crossroads Credit and Portfolio Management, we refer to it as "keeping the customer in the game". If you can keep your customers performing at some level for an extended period of time the customer and the relationship may have a chance to survive and possibly even improve their internal risk grade.

*Source: Richard Burleson, Crossroads Credit and Portfolio Management LLC*

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News | Problem Loan Services

*January, 2011*

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In most cases, it is neither effective nor efficient for a loan officer or other senior officer of most community banks to engage in problem loan resolution, workout management or special assets.

The assigned loan officer is often inexperienced and to some extent compromised by personal relationships with the borrower.

This often results in the loan officer being distracted from a more productive role as a producer of profitable banking relationships.

Crossroads Credit and Portfolio Management has assisted 24 Community Banks with their problem loans since November 2008.

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