

# **Steve H. Powell Newsletter**

## **2nd Quarter 2015**

*Word Format Version*

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# SBA Lending – Appraisals

SBA lending continues to be a source of credit enhancement as well as income production for several SHP & Co. client banks – in 504 and 7(a) product lines. During May 2015, the SBA amended procedures for verification of a construction loan – see the below link to SBA SOP 5010 5(H).

SBA now requires verification above a statement of completion from the appraiser. Per the updated SOP

After construction is completed, CDC must obtain a statement from the appraiser, general contractor, project architect, or construction management firm that the building was built with only minor deviations (if any) from the plans and specifications upon which the original estimate of value was based. If the CDC cannot obtain such a statement, then the CDC cannot close the loan without the SLPC's prior written permission.

SHP & Co. assists numerous clients with their SBA portfolios – from due diligence for lending unit acquisitions, to due diligence for purchasing pools of loans, to SBA required independent loan reviews.

[SBA SOP 5010 5\(H\) PDF Link](#)

# Georgia Attorney Real Estate Title Opinions

Many community banks rely on attorney title opinions for real estate closing rather than requiring title insurance policies. Title opinions are less expensive than title insurance and allow a bank to offer lower total closing costs. For many community banks, real estate lending relationships date back many, many, years. For relationship based lending, SHP & Co. reviews many current real estate transactions that are based on 10+ year old deeds and title opinions.

As based on our research, it would appear that title opinions offer no recourse after more than four years and any recourse would likely be limited to the amount of the original transaction the title opinion supported.

As based on Georgia Title 9, Chapter 3, Section 25:

All actions upon open account, or for the breach of any contract not under the hand of the party sought to be charged, or upon any implied promise or undertaking shall be brought within four years after the right of action accrues

Title insurance policies offer more substantial, detailed coverage with attestation recourse available for a longer period of time. Common practice among our client base, both in and outside of Georgia, is to require title insurance for loans above an established dollar threshold, commensurate with the institution's size, market, and risk tolerance. Loan policies, notably in larger institutions doing business in Georgia, typically require updated title opinions when additional funds are extended or the title opinion has aged beyond the statute of limitations.