

PUBLICATION

Tips for Working With Your Lender in These Uncertain Financial Times

Authors: Michael C. Patton, Edward Franklin Childress

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From the C-suite of Fortune 500 companies to the corner mom-and-pop business, everyone is worried about the financial future of their business. After a decade of unprecedented economic growth, our economy has been humbled by a virus. Entire industries have been shut down as we shelter in place or stay at home in record numbers.

Many businesses will soon need accommodations from their lenders. As businesses' financial situations deteriorate, some relationships will be transferred from the familiar loan officer to the lender's "special asset group" or "loan recovery department." In either case, it could lead to fear and anxiety.

Communication Tips

- **Communicate with your lender.** One experienced officer in a special asset group indicated that even if your business is not in financial trouble, your banker would appreciate an e-mail letting her or him know that your business is okay.
- **Communicate sooner than later.** Fear can sometimes lead to inaction. Your loan officer may have options to help you. Do not become a figurative ostrich and stick your head in the financial sand. Be honest and complete about your situation. Let the loan officer know your concerns and issues and how the lender may be of assistance at this time. The officer from our previous tip recommends that you do not filter your situation.

Workout 101

If your loan is transferred to your lender's special asset group, know that the loan recovery officer's goal is to work with you and your company to facilitate the repayment of the outstanding indebtedness. Some banks refer to their "special assets group" as the "loan rehabilitation and recovery department." These groups or departments are also informally called the "workout" group or department.

The loan recovery officer's job is different from the loan officer's job. What she or he can do for you or your company is also different – especially during trying times. The loan recovery officer can help you. What the officer really needs from you is honesty and integrity. The following simple rules will aid you dealing with the loan recovery officer (as well as the loan officer).

- **Communicate regularly and promptly.** Do not ignore a contact from either the loan recovery or your loan officer! If you do not communicate with the officer, the lender's lawyer will send you a communication. You will not like it.
- **Be honest.** If your loan is in a default status or one is anticipated, the loan recovery officer will work with you to formulate a plan as to the repayment of the indebtedness, perhaps by either a forbearance, deferment or loan modification agreement. They can only do that if you are forthright about your situation.
- **Promptly provide requested information.** Loan recovery officers will need financial information to understand what you can and cannot do. They will also have to justify their decisions and proposals

to their superiors based on the information requested.

- **Maintain the officer's trust.** Loan recovery officers will have been through this process many times. They can quickly sense when they are not being told the truth. Once the loan recovery officer's trust is lost, the relationship will change from collaborative to adversarial. Ultimately, an adversarial relationship is far more harmful to the borrower than the lender.

Proactive, open, honest, cooperative and responsive communications are key to creating a positive relationship during these unsettling and difficult times. If you have questions, contact [Frank Childress](#), [Mike Patton](#), or your Baker Donelson attorney. Also, for more information visit the [Coronavirus \(COVID-19\): What You Need to Know information page](#) on our website.