



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

May 24, 2012

The Honorable Darryl Issa
Member, U.S. House of Representatives
1800 Thibodo Road, Suite 310
Vista, California 92081

Dear Representative Issa:

Thank you for your inquiry on behalf of Ms. Deborah Ulrich, regarding a U.S. Small Business Administration (SBA) 504 loan to Amatola Enterprises and The Flooring Company as the borrower. Guarantors included Mr. Frank Smith and Mrs. Madeline Smith, Mr. Robert Sobral, and Ms. Ulrich.

According to Agency loan records, on September 16, 2005, SBA approved a request for a SBA 504 loan in the amount of \$465,000. SBA proceeds were used for the purchase of the real estate located at 350-352 Engel Street, Escondido, California 92029. The SBA loan was in a junior lien position to a third party lender (TPL), Bank of the West (BOTW). BOTW as the TPL in this project is solely responsible for the administration of its loan to the borrower. The SBA loan has no involvement with the administration of the third party loan. The certified development company is EDF Resource Capital, Inc. (EDF) who originated the 504 loan request. Under Agency's rules, an SBA CDC is required to process, service, and if need be liquidate its SBA 504 loans in a manner consistent with sound and prudent commercial lending practices. EDF is primarily responsible for the servicing and liquidation on this loan. This included the processing of any Offer in Compromise (OIC) of the SBA debt.

The SBA was notified on October 26, 2010, of a default on the BOTW loan. The loan was placed into a default status by BOTW due to the short sale request; similarly, the SBA loan defaulted November 2010. The SBA placed the loan in liquidation status December 2010. It is our understanding the property was listed for sale and a short sale was in process at the time of the default. A short sale/purchase offer was received and processed by SBA with an approval on November 22, 2010. The short sale failed to close. Over the course of 2011 and 2012, it appears the property was listed for sale. Small payments were made to SBA during this time and EDF was working with the borrower on a loan modification and workout. In March 2012, EDF was notified of a

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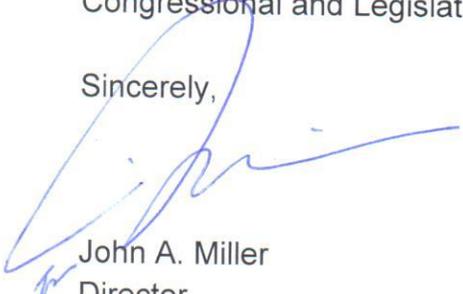
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pending short sale of the collateral. EDF indicated the short sale is scheduled to close May 31, 2012. The short sale will leave a deficiency balance on the SBA debt.

SBA has the ability to consider resolution of deficiency balances with borrowers and guarantors through our Offer in Compromise (OIC) process. If Ms. Ulrich is interested in resolving the loan balance, we recommend the borrower and all guarantors remaining on the SBA loan submit an OIC package directly to EDF for processing after the short sale of the collateral closes. EDF will have all the necessary SBA forms and can guide Ms. Ulrich through the OIC process. If Ms. Ulrich has any further questions relative to this matter, she may contact Mr. Joel Stiner, of the SBA Fresno Commercial Loan Service Center, at (800) 347-0922, extension 2751.

We appreciate your support of the California small business community. If you and your staff have additional questions regarding this matter, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,



John A. Miller

Director

Office of Financial Program Operations

cc: Joel Stiner, SBA Fresno Commercial Loan Service Center