

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



August 15, 2012

The Honorable Charles E. Schumer  
United States Senator  
780 Third Avenue, Suite 2301  
New York, New York 10017

Dear Senator Schumer:

Thank you for your letter on behalf of Mr. Nadeem Eli Shahzad regarding a U.S. Small Business Administration (SBA) guaranteed loan made to his business, Sea Cliff Subway (SCS).

According to Agency records on August 19, 2003, SBA approved a request for 85 percent guaranty of a \$137,000 loan to SCS from Valley National Bank (VNB). On April 25, 2011 loan was reported to SBA as defaulted and placed in liquidation status with a principal balance owing of \$46,039.81.

Under the Agency's rules, a SBA participant lender is required to service its Agency guaranteed loans portfolio in an expeditiously but commercially responsible and effective manner consistent with sound commercial lending practices. VNB has the delegated authority and responsibility to take all actions necessary to modify the loan within reason and consider all equitable terms and conditions or move forward through the liquidation process to effectively maximize recovery on the loan. Lenders are afforded a great deal of latitude and discretion in formulating and executing reasonable and responsible workouts on defaulted loans. VNB continues to use its delegated authority to protect its interest and rights.

Based on Mr. Shahzad's letter to your office, he is seeking intervention to try to avoid foreclosure of a home that secures the loan. It should be noted that both the lender and SBA have answered his complaint and explained to him on several occasions that the relief for which he is seeking is not possible. VNB advised SBA that the loan is secured by real property with available equity far in excess of the balance owing on this loan. It was explained to Mr. Shahzad that an Offer in Compromise (OIC) is based on full and complete financial disclosure in order to establish financial wherewithal. The acceptance or rejection of an OIC is based on an analysis that concludes whether the offer bears a reasonable relationship to an amount that could be recovered via other means. If there is sufficient evidence of repayment ability or financial means that would satisfy the debt

in full or in part but the amount offered does not reflect those means, the offer will not be accepted. If the OIC is accepted, the guarantor will be released from any further obligation of the original debt.

Since this loan remains fully secured, there simply is no basis for accepting anything less than the full amount lawfully due and payable. The SBA cannot compel a lender to take a loss when the offer does not reasonable based on analysis of the borrower's ability to pay. In this case VNB's appraisal found that value of the collateral property greatly exceeds the balance of this loan.

Mr. Shahzad should work with the lender on a mutually acceptable plan to repay this debt. If he has any questions regarding SBA loan servicing and collection procedures and rules or VNB's adherence to these, he may contact Mr. Dana Relyea, SBA National Guaranty Purchase Center Deputy Director, at (703) 487-9281.

We appreciate your support of the New York small business community. If you and your staff have any questions, 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: Dana Relyea, SBA National Guaranty Purchase Center