

Updated: Guidance on Emergency Bridge Loans; FDIC Releases FAQs on Silicon Valley Bank

Insights

March 12, 2023

Guidance on Emergency Bridge Loans

We have been fielding many questions from our clients (both companies and funds) regarding emergency cash infusions into companies to be able to meet their payroll and other immediate obligations this week before a portion of uninsured amounts held in Silicon Valley Bank (SVB) accounts becomes available.

Your Gunderson Dettmer team has prepared a variety of documentation for short-term bridge financing structures and is standing by to help you keep operating with as little interruption as possible.

FDIC FAQs

On the morning of Sunday, March 12, 2023, the FDIC published [FAQs](#) on its website focused on the SVB closure. While we encourage you to read the complete FAQs, here are the key takeaways for our clients:

Filing Claims and Access to Deposits

Depositors should not need to file a claim for deposit insurance. The FDIC uses the records of SVB to make deposit insurance determinations. If you have less than \$250,000, your funds should automatically be available in your account on Monday.

If you are a depositor with uninsured funds, the FDIC will pay an advance dividend allowing you to access a portion of your uninsured funds. The payment will be automatically added to your account, and the FDIC has stated that you do not have to file a claim to receive it. The FDIC previously stated in its initial press release that the advance dividend would be available within a week of the closure of SVB on March 10.

If it is determined that you have some uninsured funds, the FDIC will mail you a Notice of Insurance Determination Letter (NIDL). The NIDL provides a Receiver's Certificate Number which entitles you to share proportionately in any funds recovered through the sale of the assets of Silicon Valley Bank. How much you may eventually recover beyond the advance dividend depends on the value obtained through the liquidation of SVB's assets. For an explanation of the dividend process and to review the status of receivership dividends, call the FDIC at 1-866-799-0959.

Determining Whether Deposit Accounts are Insured

The FDIC provides an Electronic Deposit Insurance Estimator (EDIE) to check insurance eligibility by account number at <https://edie.fdic.gov/>.

SVB Loans

You should continue to make your loan payments to the same address as you have in the past. Make your check payable to Silicon Valley Bank. All escrow services previously performed related to your loan will continue. Should you receive notification that any portion of your taxes or insurance was not paid, please notify your loan officer immediately. You should direct your loan questions to your loan officer.

It is the FDIC's intention to sell all loans, and it will be up to the new owner to determine the best method to collect the loan. If your loan is sold, the FDIC has stated that you will be notified by mail in advance of the sale. You have the right to refinance your loan with another institution.

At this point, the FDIC will suspend foreclosure actions to evaluate the loans and the borrower's ability to repay. There may be instances where the FDIC will continue with the foreclosure process, but this will be done on a case-by-case basis.

In the event you have uninsured deposits, it may be possible to offset your uninsured amount against a loan in the same name as your uninsured deposit account. You should make a telephone appointment with an FDIC Claims Agent at 1-866-799-0959 to discuss your situation.

Lines of Credit

All lines of credit with SVB will be permanently frozen as of the closing on March 10, 2023. You will need to establish a new line of credit with your new bank.

SVB Banking Operations through Deposit Insurance National Bank of Santa Clara (“DINB”)

Starting Monday, March 13, 2023, you may continue to use your personal checks for a limited period of time. You may also use ATM/Debit cards for a limited period of time. You may continue to make deposits until the DINB closes. Online banking and bill pay services will resume Monday.

You should act quickly to replace these services, as the FDIC is currently determining end dates for each:

- Automatic Payment and Bill Pay
- ATM/Debit Card
- Direct Deposit and Social Security

Closing SVB (now DINB) Accounts

There are four ways to close your account:

- Create a bill pay or automated payment to another financial institution;
- Direct a wire transfer to another financial institution;
- Write a check for your available balance, then deposit that check into an account at another financial institution; or
- Ask for a “no fee” Cashier’s check or Money Order by visiting your local branch during normal business hours.

NOTE: Please be sure to leave enough funds in your account to cover any outstanding checks.

If you prefer to speak with an FDIC Claims Agent call 1-866-799-0959 to schedule a telephone appointment.

Scams

The FDIC advises that you will not receive any communications from the FDIC requesting any private information. Be watchful for and resistant to any scams to obtain information from you by individuals or entities stating they are acting on behalf of SVB or the FDIC. Should you be contacted by anyone requesting private information from you related to this event, please contact the FDIC Call Center at 1-866-799-0959.

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