

Credit Union SBA Lending: Why It's a Good Thing

As a long-time advocate of credit union member business lending, I remember the SBA's decision in the early 2000s to no longer allow credit union SBA lending. After that, I worked behind the scenes with the credit union trade organizations on advocacy strategies to bring SBA lending back to credit unions.

Thanks to the industry's cooperative efforts, the SBA reinstated credit union SBA lending on Valentine's Day 2002. Yet the number of credit unions making SBA loans remains relatively small. That's especially why I was pleased to join Mike Nickel, vice president of business lending at Altra Federal Credit Union to lead the "SBA Lending for Credit Unions" session at the Mid-Atlantic Lenders Conference held in August 2011 in Fort Worth, Texas.

Our message: SBA lending is a good thing for credit unions.

Debunking the myths. Let's first debunk the notion that just a small segment of America's businesses qualify for SBA lending. In fact, 99% of all businesses qualify. These businesses employ half of all private sector employees and have generated 60% to 80% net new jobs a year over the past 10 years. So a "small business" is:

- for profit
- independently owned
- non-dominant in its field
- has up to 500 employees*
- has up to \$33 million in annual receipts

Chances are you have business owners in your membership who would like to conduct all their financial transactions in one place: your credit union. And in the wake of last November's Bank Transfer Day, there may also be local businesses looking to switch from their bank. Make it easy for them.

What's in it for you? For your credit union it boils down to:

- offering a full array of products, which can attract new members
- better member service/stronger member relationships
- opportunities to make SEG companies SBA clients
- assistance with the MBL cap limit since SBA loans aren't subject to the 12.25% asset cap**

- mitigated risk given the SBA's 50% loan guaranty on Express loans and 75% to 85% guaranty on 7(a) loans depending on loan size
- opportunities to enter new markets
- new income streams

Mike Nickel reported that when he joined Altra in 2004, bringing SBA lending to the La Crosse, Wisconsin-based \$850 million credit union was integral to his business plan. Already doing member business lending, the credit union applied for SBA Approved Lender Status and submitted its first SBA package in July 2005. Mike added that Altra's SBA program has been profitable – exceeding the overall lending department in profitability. And about a year ago he leveraged SBA Express and 7(a) loans in a strategic objective to move into new markets. This led to expansion into two new markets, with plans to step up the program.

SBA lending can be an important and profitable part of your business. At J.R. Bruno & Associates, we're experts at SBA lending. An approved SBA Lender Service Provider, we've assisted hundreds of lenders with their SBA programs since 1994. We'll help make SBA lending easy and profitable for your organization! Visit us at www.jrbrunoassoc.com.

Joanna

Joanna Bruno
President
J.R. Bruno & Associates
870 Market Street, Suite 462
San Francisco, CA 94102
415.362.1200

joanna@jrbrunoassoc.com

Visit us at www.jrbrunoassoc.com

*As defined by the North American Industry Classification System (NAICS). Code of Federal Regulations (CFR) Chapter 13 section 121.

**The congressional battle to raise the credit union MBL cap from 12.25% of total assets to 27.5% of assets continues.