

Do Business Lending on Small Business Saturday

Thanksgiving Days After: Shopping Local Businesses. Making SBA Loans.

Thanksgiving: a day we give thanks for our blessings and celebrate the one day we don't think about our diets. Well, not much. On Friday, we shop. And now there's Small Business Saturday. Celebrated this year on Saturday, November 26th, Small Business Saturday encourages people to shop the small business in their communities and stimulate their local economy.

It goes without saying that America's small businesses need more than one good day a year to survive. Small Business Saturday gives your bank opportunity to increase revenue by reaching out to the local merchants in your customer base and the small businesses in your community. For your existing customers, a small business loan gives them one more reason to stay with you. For new customers, attracting them with a business loan could lead to a long-term relationship.

Straight from the FDIC: SBA Lending Insights

With the economy still in flux, interest in SBA loans is growing among community banks - and the FDIC. A recent article in the FDIC's Supervisory Insight newsletter titled "SBA Lending: Insights for Lenders and Examiners" encourages SBA lending. It reviews SBA products lenders use most and covers the technical requirements for underwriting, servicing, risk grading and selling SBA loans. The article underscores the importance of adhering to SBA procedures - and the expertise required - and advises lenders to develop an SBA program with a component for ongoing training.

On the examiner's side, the article covers areas SBA examiners should consider when reviewing a bank's SBA program. Here's a quick recap:

- *Review the Lending Policy.* The bank's Lending Policy must address SBA lending and cover areas such as the types of SBA programs the bank engages in, any asset limits on specific SBA programs, the normal trade area for SBA lending and any credit concentration limitations.
- *Review the internal risk-grade.* Because examiners evaluate how accurately management identifies and measures risks in SBA loans, the article recommends designing an internal loan review system specific to the SBA loan portfolio to ensure you're not grading loans too highly because of the SBA guaranty.
- *Review ongoing training.* Because SBA Rules are extensive and updated regularly, lenders need comprehensive training before implementing SBA lending and ongoing training to stay current.
- *Review the SBA audit report.* Audits are performed at least every two years and address portfolio performance, SBA management and operations, credit administration, and compliance.

- *Review the quarterly Lender Portal report.* The SBA tracks various portfolio performance ratios, such as past-due, liquidation, and delinquency. Based on portfolio performance, the SBA assigns a Lender Risk Rating of 1 to 5 (1 being best). As an SBA lender, you have access to your Lender Portal report. For more information about the Lender Portal go to <https://mi.dnb.com/PDPSBA/>.
- *Review the number of repairs, denials and withdrawals of guarantees for the lender.*
- *Review for any industry credit concentrations.* Because examiners perform more in-depth reviews of portfolios with high industry concentrations, lenders need to monitor credit concentrations by North American Industry Classification System (NAICS) codes, and make this information available to examiners.
- *Review for general concentrations.* In general, concentrations of credit add a dimension of risk that your institution should monitor, measure, and control. Excessive or unmonitored exposures would require heightened scrutiny by an examiner.
- *Review the Loan Authorization of a credit.* Examiners evaluate how well management had documented the authorization requirements and determine if supporting documentation for disbursement satisfies the Loan Authorization. Weak practices should be noted in examination findings.

SBA lending is a great opportunity to expand your business lending, yet it's evident there's a lot involved. Just getting started? Expanding your SBA program? Call us. J.R. Bruno & Associates can help make SBA lending easy and profitable for your bank.

Let's make Small Business Saturday last all year!

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