



Credit Unions & SBA

**The Great New England Credit
Union Show
April 21, 2009**



Overview

- Credit Union SBA portfolios
- Resources
- Examination focus
- Mistakes to avoid
- Q&A



SBA Loans at Credit Unions

- SBA Loans Outstanding
 - 12/31/2004 \$148 million
 - 1,451 loans, average \$102,000
 - 12/31/2008 \$520 million
 - 7,096 loans, average \$73,000



SBA Loan Growth

- From 2004 to 2008 251% growth
- Average loan size decreased 28%



SBA 101

- Board Member Hyland's SBA Webinar
 - September 14, 2006
- www.ncua.gov/NCUABoard/BoardMembers/Hyland/Presentations/SBA2006/lobby.html



NCUA Regulations

- Part 723 – the MBL Rule
- State of Connecticut has its own MBL Rule



NCUA's SBA Resources

- AIRES Exam Questionnaires
 - 2 SBA questionnaires
 - What examiners will look for
 - Scoping the risk



Letters to Credit Unions

- 07-CU-13: Evaluating Third Party Relationships
- Some CUSOs offer SBA experience
- SBA's contract is with the credit union, not the CUSO



Letters to Credit Unions

- 08-CU-20: Evaluating Current Risks to Credit Unions
 - Economic conditions
 - Concentrations
 - Risk to net worth



Letters to Credit Unions

- 08-CU-26 Evaluating Loan Participation Programs
- Permissibility
- All loan participants must be SBA lenders



Other Resources

- October 27, 2004 preamble 69 FR 62563 - Changes in collateral & security requirements
 - “NCUA confirms the proposal applies to the 504 Loan Program
- OGC Letter 08-1109



SBA Approval

- Insurance certificate
- NCUA's Region I can help
- Division of Insurance
 - 518-862-7400



MBL?

- Guaranteed portion of SBA loan
 - Does NOT count toward MBL cap
 - DOES count toward Risk Based Net Worth requirement



Due Diligence

- Risk assessment
 - Resources –loan systems, loan documents
 - Staff - size and experience
 - Loan monitoring
 - Internal controls
- Risk to net worth



What Examiners Review

- Risk assessment
- Due diligence
- Strategic planning
- MBL policies and procedures
- Underwriting
- Monitoring, servicing & reporting
- Internal controls
- Financial & strategic impact



Mistakes to Avoid

- Focus on loan growth
- Lack of experience
- Inadequate cash flow analysis
- Ineffective appraisal reviews
- No collateral inspections
- Lack of ongoing monitoring
- No contingency plan or exit strategy
 - What can go wrong?



Summary

- SBA portfolios growing
- NCUA resources
- Due diligence
- Risk to net worth
- Mistakes to avoid



Thank You!

- Questions?
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