

# TRANSACTIONS

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Pennsylvania's Community Banks. For people and their neighborhoods.

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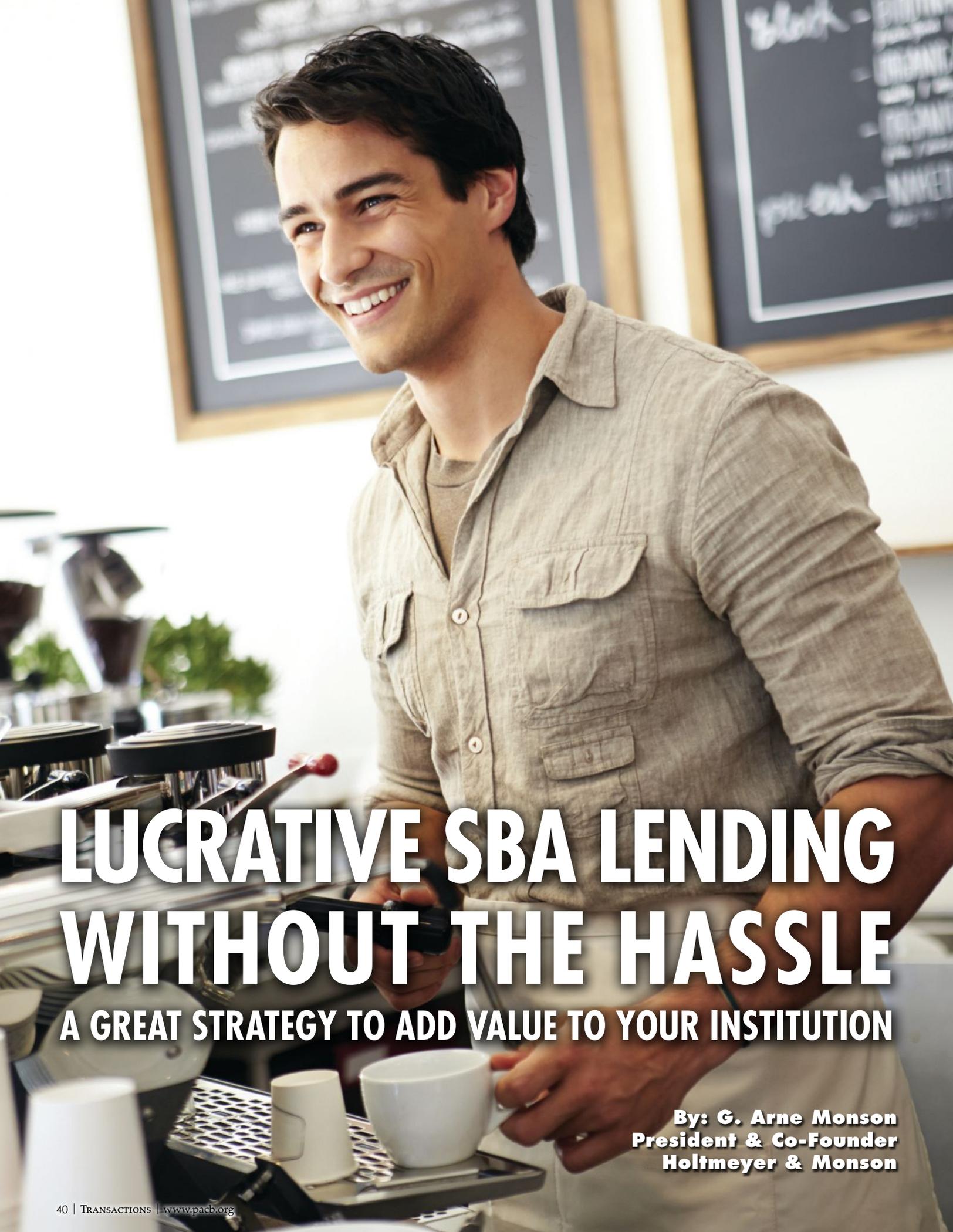
# YOUR NEW BANK?



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# LUCRATIVE SBA LENDING WITHOUT THE HASSLE

A GREAT STRATEGY TO ADD VALUE TO YOUR INSTITUTION

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Holtmeyer & Monson**

**I**t is well known that a vibrant and profitable commercial lending function plays a key role in the success of any community bank. One formula for this success is a well-established SBA loan department. Starting, or expanding, a Small Business Administration loan function can provide a community bank with the ability to compete with larger institutions, and add significant value to the enterprise. SBA lending as an adjunct to the commercial loan department can provide your institution with two key attributes; asset growth and non-interest fee income. Additionally, a robust commercial lending function - including the use of SBA loan programs - will strengthen your institution's balance and spawn numerous additional bank relationships.

What opportunities exist for SBA lenders? Since the guaranteed portion of 7a loans is exempt from bank lending limits and reserve requirements, a small bank can make large commercial loans. Holding the guaranteed portion of a well-structured SBA 7a loan on the bank's balance sheet creates an excellent earning asset, and the sale of the guaranteed portion can generate excellent yields on bank at risk capital. Additionally, SBA guarantees can effectively mitigate bank concerns regarding collateral and leverage issues.

SBA lending offers banks the opportunity to serve "non-traditional" borrowers, which may otherwise be lost to a competitor. Financing transactions such as business acquisitions, start-ups, specialty businesses such as franchises and service industries make excellent SBA guaranteed loans. Debt refinancing and restructuring is also available through SBA Programs. Presently, a bank may refinance another institution's debt as well as its' own debt with an SBA guaranteed 7a loan. An excellent example of this strategy is to term out conventional bank lines of credit which have gone evergreen. Converting revolving lines of credit to ten year term loans - enhanced with a 75% SBA guaranty - allows a lender to effectively serve borrowers as well as maintain credit quality to meet regulatory considerations.

Borrowers also benefit from effective use of Small Business Administration guaranteed loan programs. Access to capital is one of the primary challenges facing small business today, and SBA lending allows borrowers to secure financing on terms and conditions not otherwise available. By offering extended term, permanent financing with all fees capitalized, SBA lenders can provide small business borrowers the ability to maximize cash flow. I think all of us can agree that nothing is more important to a successful small business than cash flow.

A very active and lucrative secondary market exists for the sale of SBA 7a loan guarantees. Banks can sell the guaran-

teed portion of these loans at significant premiums, which can be taken into earnings immediately upon settlement. Properly structured 7a loan guarantees are generating premiums of 12 to 14 points of premium under current market conditions. Selling full faith and credit guarantees to a Pooler such as ICBA Securities will not only create premium income, but also generate on-going servicing income for your institution. At a time when banks are searching for income sources, selling SBA guarantees can drive huge profits to your bottom line.

**SBA LENDING OFFERS BANKS  
THE OPPORTUNITY TO SERVE  
"NON-TRADITIONAL" BORROWERS.**

As you read this, you may be thinking that SBA lending may make sense for your bank, but you are unsure about how to proceed. There are really two options; de-

velop an SBA lending function internally, or use the services of a qualified Lender Service Provider to out-source the process. Cost justifying the establishment of an internal SBA loan function may be difficult for a bank doing a limited amount of transactions. Changes to the SBA programs, and keeping up with technical issues may also preclude your bank from becoming active with Small Business Administration guaranteed lending. 🐾



Holtmeyer & Monson - the endorsed ICBA Preferred Service Provider for government guaranteed lending - can bring a fully-staffed, high level SBA department to a community bank in a very efficient manner. We can handle every aspect of your SBA lending function, and do so at no net cost to your institution. We serve more banks, and handle more transactions than anyone in the SBA lending industry, and would be happy to serve your institution. Please contact us at (800) 340-7304 or by e-mail at [amonson@holtandmon.com](mailto:amonson@holtandmon.com).

G. Arne Monson is President and Co-Founder of Holtmeyer & Monson, Memphis, TN. Holtmeyer & Monson is a Lender Service Provider consulting firm, specializing in Small Business Administration and U.S. Dept. of Agriculture guaranteed loan programs. Endorsed as a Preferred Service Provider by the Independent Community Bankers of America. Holtmeyer & Monson currently serves over 400 banks in the areas of loan processing, loan closing, and portfolio management. Monson holds an undergraduate degree from Southwest (MN) State University, as well as graduate degrees from Minnesota State University and Pepperdine University. He is also a Certified Management Accountant.