
AMERICA WEST
– ROADSHOW –
2020
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Capital Growth Solutions, LLC
WELCOME
TO THE ROADSHOW

Tools to Increase SBA Lending

Facilitated by:

Daniel O'Meara, 44 Business Capital

Jeff Mathias, CEDCO Small Business Finance

Mandy Kuxhausen, T Bank

Mark Abell, NBH Bank

SBA 7(a) – The Business Development Officer

Daniel O'Meara, First VP, 44 Business Capital

- "Begin/Start with the end in mind"- Steven Covey
- Operate and continually think "Win-win": Seek first to understand, then to be understood
- Relationships always supersede the deal!

SBA 504 Lending Simplified

Jeff Mathias, Executive Director, CEDCO

- SBA 504 Description
- Benefits – Bank and Borrower
- How to Get Started

SBA 504 Lending Simplified

What is the SBA 504?

- 50/40/10 or 50/35/15
- Fixed Rates set at Auction after Approval
- 2 Loans 1st DOT and 2nd

SBA 504 Lending Simplified

Benefits – Bank and Borrower?

- Lower Risk for Bank
- Ability to get Harder Credits Approved
- Special Purpose
- Lower Overall Rates
- Longer Fixed Rates

SBA 504 Lending Simplified

How to get started?

- How to get started in 504 Lending
- SOP/Knowledge/CDC Partnership

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A Manager's Case for SBA Credit Enhancement

Mandy Kuxhausen, COO, T Bank, N.A.

- Background on T Bank, N.A.
- Using sound credit practices along with the power of the SBA guaranty to make the case to credit management whom are not familiar with SBA
- Address the "Should Be Avoided" stigma

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A Manager's Case for SBA Credit Enhancement

The Five C's of Credit

- **C**apacity – ability to repay the loan
- **C**apital – source and amount of equity injection
- **C**ollateral – assets are available to secure the loan
- **C**onditions – state of the economy, industry trends, etc. that are the driving the need for the loan request
- **C**haracter – applicable management experience and personal credit of the owners

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A Manager's Case for SBA Credit Enhancement

The Mitigating Power of the SBA Guaranty

$1,000,000	Loan Amount
$0	Discounted Collateral Value
$1,000,000	Gross Exposure Amount
$750,000	75% Guaranty
$250,000	Maximum Exposure

A Manager's Case for SBA Credit Enhancement

The SBA Guaranty must be protected

- Prudent and sound credit analysis during underwriting
- Review for eligibility throughout the underwriting and closing processes
- Close the loan in accordance with the SBA Authorization
- Service the loan as required by SBA, even if sold on the secondary market

A Manager's Case to the Board

Mark Abell, SBA Director, NBH Bank

- Background on NBH Bank
- Staffing and LSP Options as you Build It
- Moving from GP to PLP
- Critical Issues to Think About

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A Manager's Case to the Board

Background: NBH Bank and Mark Abell

- 2009-2010: Acquisitions of Failed or Near-Failed Banks
- 2010-2015: Clean Up the Portfolio, Obtain PLP. SBA was a subset of Credit Risk Management.
- Dec 2015: The Business Case is Created: SBA = Specialty
- Original Model: Subscribed Services via Bank Associates
- Formative Years: Mixed Model
- Today: In-House Underwriting, Packaging/Closing & BDO's

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A Manager’s Case to the Board

Staffing Options to Consider (and Considerations)

- Minimal Staffing – Use Lender Service Providers for Origination, Underwriting, Packaging, Submission (What about 1502 reporting, servicing, and liquidation?)
- Bankers as BDO’s + Conventional Underwriting + Loan Admin Staff as Packaging/Closing (How do you cover all SOP requirements?)
- Hybrid: Some Professional Staff (How do you pay for it?)
- Full SBA Professional Staff (How do you justify the cost?)

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A Manager's Case to the Board

Moving from General Processing to Preferred Lender

- The PLP Lender must be responsible for all activities, even if they rely on a Lender Service Provider for some of their processes
- Build slowly to PLP: Start with Operations
- There is so much more to it than just origination
- Use LSP's to help you develop and test policies, procedures

A Manager's Case to the Board

Our Progression at NBH Bank – A Case Study

- Started with 3 people: Underwriter, Packaging & Operations, Director
- Added Credit Analyst and One BDO – Mostly Internally Focused
- Added BDO's, Underwriters, Packager/Closers – Heavy External Focus
- Still Utilize Loan Operations, Loan Accounting, Special Assets
- Formula: ~2 BDO's, 1 Underwriter, 1 Packager/Closer
- System Support: All SBA Loans push to our team
- $10MM -> $18MM -> $27MM -> $42MM -> $36MM
- Portfolio: ~$100MM

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A Manager's Case to the Board

To Sell the Guaranty or Not?

- Balance Sheet Considerations
- Legal Lending Limit Considerations
- Quick Fee Income versus Long-Term Portfolio Income
- Staff to Ups and Downs of Market or Long-Term Investment

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