

SBA Lending Opportunities: Filling the Void in a Down Market

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Panelists

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The SBA's 7(a) Loan Program: A Flexible Tool for Commercial Lenders

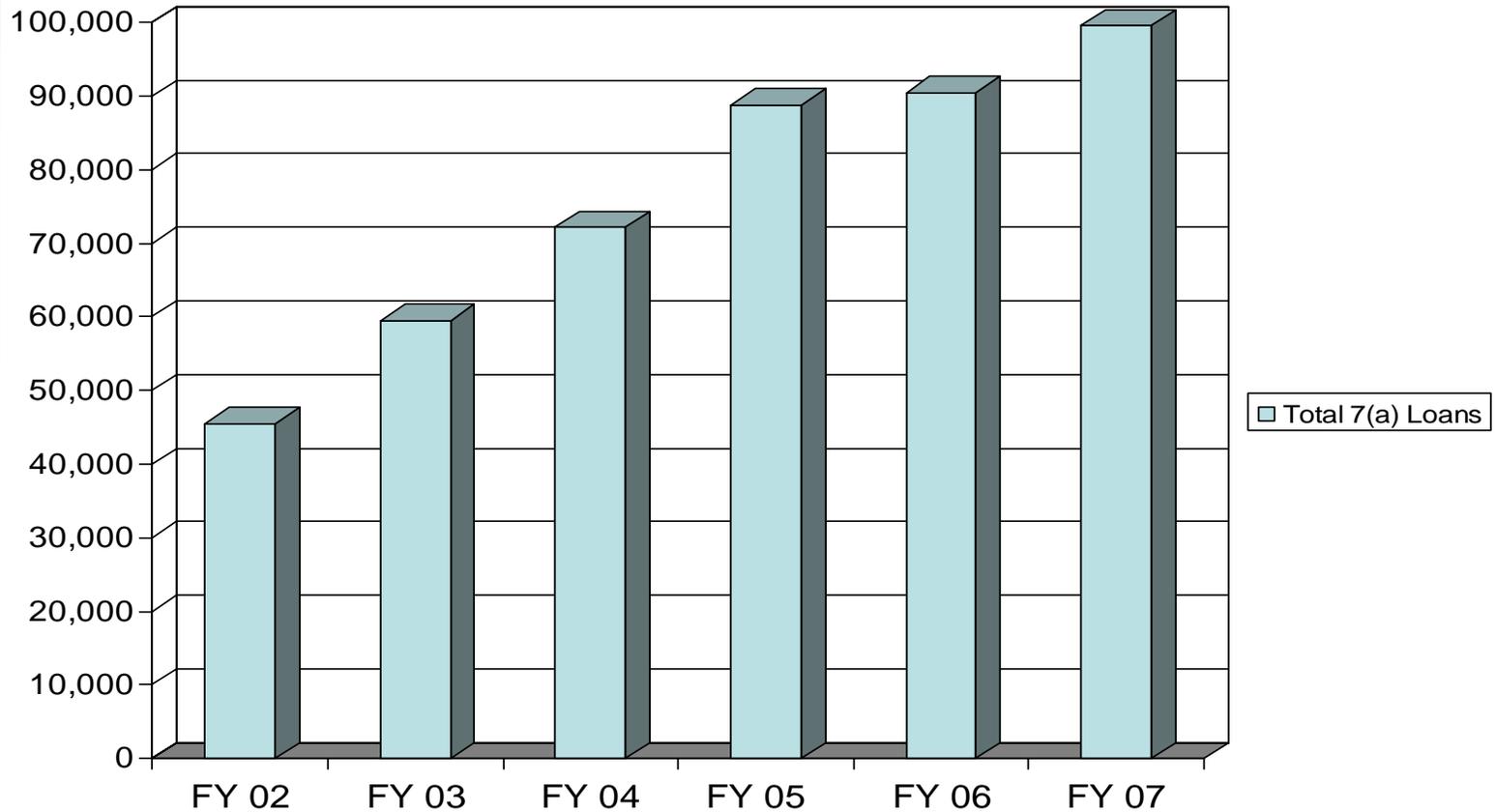
Overview

- What is the SBA 7(a) program?
- How the program works
- Bank benefits
- Challenges and issues

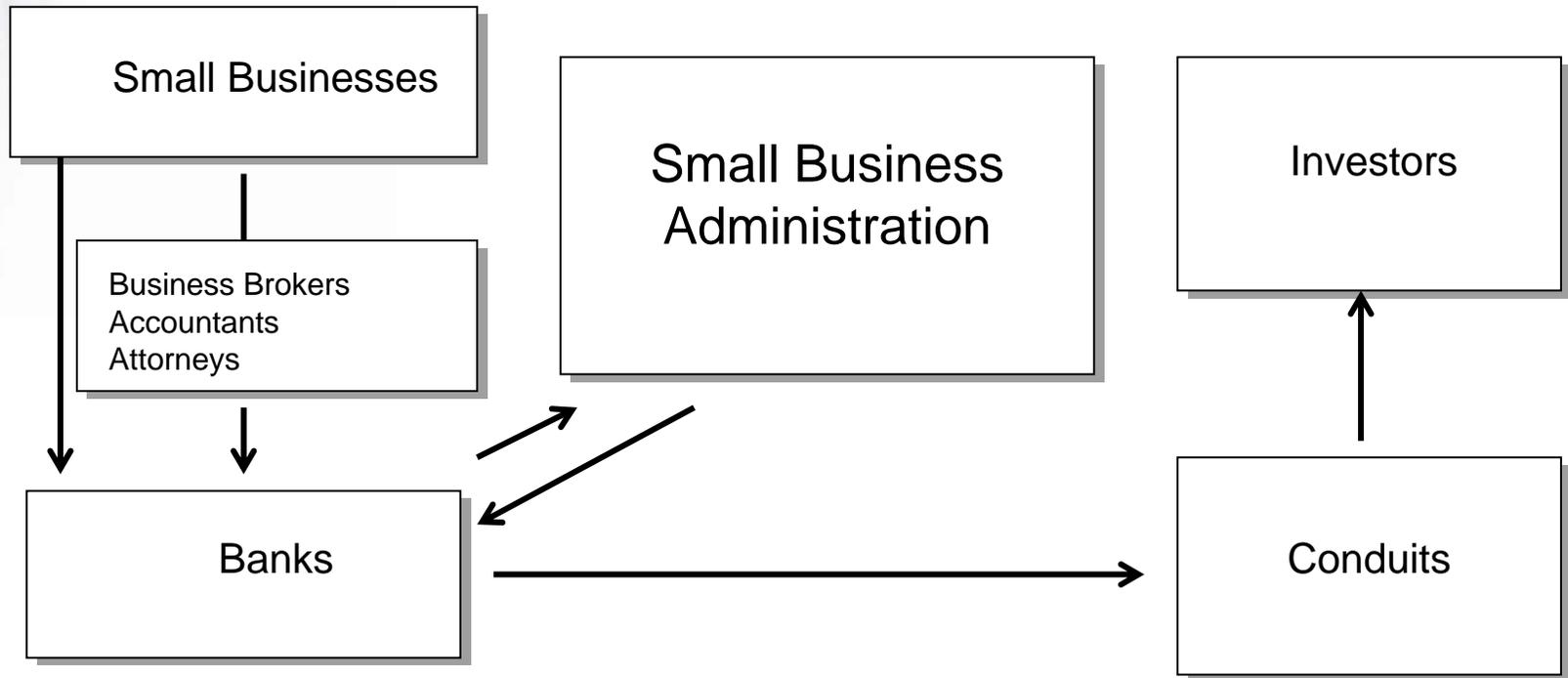
The SBA 7(a) Program

- Help small businesses receive credit
- Guarantees loans between 50 and 85 percent
- Maximum loan amount \$2 million
- Over 5,000 lenders have originated 7(a) loans
- Since 1997 the program has supported over \$100 billion in loans to small businesses

Number of SBA 7(a) Loans Originated by Year



How the SBA 7(a) Program Works



Bank Benefits

- New Business Development
- Profitability
- Liquidity Management
- Mitigating Risk
- Legal Lending Limits
- CRA Requirements

Rates and Terms

Standard 7(a)

Rates

- Loan 7 years or less, prime +2.25%
- Over 7 years, prime +2.75%

Terms

- Working capital, 5 to 10 years
- Machinery and equipment, not to exceed life expectancy
- Real estate and construction, up to 25 years

SBAExpress

Rates

- Under \$50,000, prime +6.5%
- Over \$50,000, prime +4.5%

Term

- Maximum, 7 years

Fees

- Application assembly fee, \$1,000 – \$2,500, paid to bank by borrower
- Upfront guaranty fee, 0.25% to 3.75%, passed onto borrower in financing
- Annual renewal guaranty fee, 0.545%, paid by bank
- Oversight fees, paid by bank

Challenges and Issues

- Processing Time
- Timing of Guaranty Payouts
- Guaranty and Oversight Fees
- Maximum Loan Limits
- Secondary Market Conditions