



# Easing the Way to SBA 7(a) Loans

Small businesses are important to the U.S. economic recovery; but with tight credit over the past few years, many have found it difficult to obtain funding for expansion or new development. This need has created an opportunity for credit unions to tap into the small-business lending market. Since nearly 95 percent of all U.S. businesses qualify as small businesses under current guidelines of the U.S. Small Business Administration (SBA), it's a large market.

## The Benefits

Some credit unions might be reluctant to take advantage of this opportunity in light of the "Great Recession" and the losses suffered by many. Yet the SBA's 7(a) Loan Program can create a "win-win" scenario between a credit union and a small-business owner because SBA 7(a) loans are guaranteed up to 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.

Additional benefits to the credit union of the SBA 7(a) program loans include the following:

- The guaranty provides greater security.
- The guaranteed portion of the loan does not count against the credit union's aggregate member business-loan limit.
- The guaranteed portion of the loan can be sold in a secondary market.
- The credit union can compete more effectively with other financial institutions.
- Making business loans attracts new customers.

## The Process

To gain SBA 7(a) designation, the credit union must provide numerous pieces of information to the SBA for evaluation, rating and submission. It can be an involved procedure.

Member Business Solutions (MBS), a CUSO jointly owned by Southeast Corporate and Georgia Corporate, can help credit unions navigate the pathway through the application process.

MBS staff members have the expertise in SBA 7(a) loans, earned through years of experience and education – a big bonus for credit unions. With experts available to help assemble the necessary information, the process goes smoother, and the SBA can be assured that the appropriate steps have been followed and a complete package is submitted.

MBS personnel assist the credit union staff and potential borrowers, collect information, evaluate the loan, correct any informational deficiencies, and assemble the paperwork for the SBA. Their involvement gives credit unions' staff the confidence to navigate the complex process and to strengthen member relationships by focusing on their needs rather than on processing paperwork.

## The Reward

"We encourage our credit union partners to focus on small-business members, rather than looking elsewhere to make bigger loans," says Jim Gallagher, President of MBS. "By doing so, credit unions can provide a much-needed service for their business members and make a good return without taking inordinate risks."

Making loans to small-business members is part of the heritage of the credit union movement, dating back to their cooperative origins in the mid-1800s. Today, according to Callahan and Associate's 2011 Credit Union Directory, the average outstanding SBA loan balance is \$78,752. Most loans are made to family businesses that are owner-occupied. They run the gamut from warehouses, doctors' and attorneys' offices, to corner markets and the local barbershop. Supporting local small business owners is a great way for credit unions to diversify their loan portfolios while strengthening the communities they serve.

With the help of MBS staff, the SBA's guaranteed loans allow for greater lending opportunities with less risk and uncertainty. For more information, call (888) 627-7881 or visit [www.mbsllc.org](http://www.mbsllc.org).