

Cooperative Business Services, LLC

Achieving Scale in Small Business Lending

Looking to serve the needs of businesses that are often “below the radar” of banks, a group of Ohio credit unions believed the best approach was to combine their resources and form a business lending CUSO. According to Doug Fecher, CEO of co-founder Wright-Patt Credit Union, there were three primary reasons for going this route. “Given the opportunity in the market, we believed a number of credit unions could benefit from offering business services but may not be able to make the necessary investment to build capabilities on their own. Capital limits also played a role, as well as the ability to participate and diversify a commercial loan portfolio among a group of credit unions,” says Fecher.

Teaming seven credit unions with the Ohio Credit Union League, Cooperative Business Services was launched in August 2003. The ownership group focused the CUSO’s efforts on underwriting, processing and servicing the loans, providing the “engine” for business lending.

A Team Approach

The credit union owners designed the relationship with Cooperative Business Services so that the credit union, not the CUSO, would be the primary contact for the member. Keith Reed, president/COO of Cooperative Business Services, says “This is about the credit unions. They leverage their brands to let their members know that they can assist small businesses.”

Each credit union has assigned a primary contact within their organization to serve small business customers. Cooperative Business Services trains these credit union employees in credit and sales skills, providing them with guidance on the types of loans and borrowers that can be best served via the CUSO. “This structure helps to accelerate the decisioning process since the packages that are delivered to the CUSO have been prepared in a consistent manner,” says Reed.

Dialogue with each business is an important aspect of the lending process, whether the loan is approved or denied. “If we do not fund a loan, we will educate the borrower on the reasons why and identify the steps they can take to become a stronger credit. If we approve a loan, we will try to provide several lending solutions to the borrower,” according to Reed. “This level of service distinguishes us and credit unions in the small business market.”

Once a loan is approved, the credit unions each fund a certain percentage of the loan thereby diversifying the risk of each borrowing. The CUSO provides the servicing, receiving member payments and then distributing monthly portfolio reports along with loan payments to each credit union.

Exceeding Expectations

With assistance from the Ohio League, the CUSO is attracting other credit unions that are now utilizing its business lending capabilities. Cooperative Business Services plans on expanding its group of credit union partners in 2004 so that a broader base of members can be served. While real estate transactions have been the primary loan type to date, equipment financing and working capital loans are also being originated, and approval for SBA lending is expected soon.

In Fecher's view, the CUSO's early success is a great sign for credit unions. "We have been surprised at the level of activity given that we're just getting started. With over \$10 million in outstandings and a very strong pipeline after just a few months of operation, the opportunity to serve these members is tremendous."

Cooperative Business Services Owners

AurGroup Credit Union, Fairfield, OH \$136.1MM

Chaco Credit Union, Hamilton, OH \$119.0MM

Code Credit Union, Dayton, OH \$61.8MM

Day Air Credit Union, Kettering, OH \$124.6MM

MidFirst Credit Union, Franklin, OH \$202.1MM

River Valley Credit Union, Miamisburg, OH \$116.1MM

Wright-Patt Credit Union, Fairborn, OH \$947.0MM