

# STRAIGHT TALK.

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## CBS, LLC Welcomes Two New Additions to Our Team!

We are pleased to announce the addition of Kurt Weil and Kathy Dinan to our Cooperative Business Services, LLC ("CBS, LLC") family.

Kurt assists with managing, tracking and reporting on the credits serviced by CBS, LLC as well as assists with the reporting of special assets.

Kathy assists with the administrative functions throughout CBS, LLC, primarily supporting the Finance and Marketing departments.

Please join us in welcoming both of them to our team!



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Portfolio Manager  
kweil@cbscuso.com  
513-677-3100 x 113



*Kathy Dinan*  
Administration/Finance  
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### Recently Funded Business Loans

**Mulch Company**  
CRE Purchase  
**\$280,000**  
Conventional Financing

**Attorney**  
CRE Purchase  
**\$79,200**  
Conventional Financing

**Multi-Tenant Property**  
CRE Refinance  
**\$1,500,000**  
Conventional Financing

# SBA Lending Changes

## What's New?

- SBA 7a Loan Increase
  - The loan amount has increased from \$2 million to \$5 million
- SBA 7a Express Loan Increase
  - Increase from \$350,000 to \$1 million until 09/26/2011
- SBA 504 Loan Increase
  - The loan amount has increased to \$5 million
  - Small manufacturers and energy loans (green facilities) increased to \$5.5 million
- SBA 504 Debt Refinance
  - Establishment of a two-year program that will allow the 504 to refinance existing debt without the previously required expansion rules.
  - Job creation goals of \$65,000 lent per job would be waived. Details on qualifying debt refinance are still pending implementation.
- Self storage units/mini-warehouses are now eligible for SBA financing
  - In the past these were only eligible if there was 50% or more income derived from a service (i.e., on-site security, management, fax or notary public)
- Hair/nail salons that rents out chairs (passive income) are now eligible
  - In the past, these were not eligible because they were not considered owner-user
- Lenders can use SBA 7a and SBA 504 loans to finance their own OREO
  - Must submit memorandum to the Loan Guaranty Process Center outlining why prior business failed and justification as to how this business is "different"
- Size Standard (504)
  - A two-year pilot program creates an alternative size standard of up to \$15 million of tangible net worth and a two-year average net income (after Federal income taxes) up to \$5 million.

## What's Changed?

- Equity/down-payment
  - Lender must document the required equity into a project
  - Cancelled checks (front and back)
  - Bank statements showing checks have cleared
  - Credit card statement showing charges, along with invoices/receipts and next billing cycle showing paid charges
  - Copies of checks from bank showing credit card have been paid
  - HUD Closing/Settlement Statements must show down-payment/equity from borrower
    - Must have copies of cancelled checks (see above)
    - Wire transfers (must show wire deposit into account and must show initiating source for wired funds, i.e., bank statement showing funds leaving bank)
  - Paper trail (bank statements) showing funds were in the account for 3 month period prior to loan disbursement
- Debt Refinance
  - Balloon notes (i.e. commercial real estate, term loan, seller notes, lines of credit) can be refinanced using SBA 7a Previously, the SOP limited these to long term notes.
  - Debt refinances of loans with increasing payments do qualify, however must improve cash-flow by 10% (the new payment amount must be 10% less than the installments expected within next 12 months).

## SBA Changes Continued

- Down-payment source - 504
  - Only in 504 – borrower’s can utilize “borrowed equity”
  - If the loan cash-flows the borrowed equity OR there is a secondary source of income to repay.
- Underwriting/Closing
  - Documenting Standby Debt
  - Underwriter must determine if the equity and pro-forma debt to worth are acceptable based on factors related to the business type, management experience and local competition. This must be documented in the credit write-up.
  - Debt (shareholder note and/or equity/down-payment) must now be placed on full standby
  - This will require underwriting and closing to require proof of the original equity on an on-going business.
- Business Acquisitions (Change of Ownership)
  - Seller/broker’s can no longer split purchase price (divide by asset type)
    - Defined “purchase price of the business” as all assets being acquired such as real estate, machinery and equipment, and intangible assets. Real estate may not be removed from the purchase price and financed separately to avoid the 25% equity injection requirement.
  - Lender must review a business acquisition to determine anticipated value of intangible assets (book value determined by balance sheet, less depreciation), less receivables and inventory.
  - Business evaluations are required for purchases exceeding \$250,000. The SBA has a cap on Goodwill (“intangibles”) of a business which cannot exceed \$500,000.
    - *Any amount in excess of the business valuation may not be financed with the SBA guaranteed loan.*
    - The Information Notice 5000-1163 further reiterates “*any difference between the sales price and the business valuation may not be financed with the SBA guaranteed loan*”.
  - Lender must verify financial statements used by business valuator (i.e. 4506-T via IRS transcript or certification from independent third party, CPA, Business Appraiser).

## *Biskner Receives CCIM Designation*

Cooperative Business Services, LLC (CBS, LLC) is proud to announce that Leslie A. Biskner, Senior Vice President of Business Development, has successfully completed the Certified Commercial Investment Member education program through the CCIM Institute in Chicago. A Certified Commercial Investment Member (CCIM) is a world-wide recognized expert in the disciplines of commercial and investment real estate.



Mr. Keith Reed, President and CEO of CBS, LLC stated “Leslie Biskner has invested much time and energy toward earning her CCIM designation. Cooperative Business Services is very proud of Leslie’s accomplishment and we congratulate Leslie on a job well done.”

Leslie was also the recipient of the Ohio Push for the Pin Scholarship by the CCIM Education Foundation in 2010.

Leslie A. Biskner  
Senior Vice President / Business Development

# CBS Milestones

This year marks a couple of important milestones for Cooperative Business Services, LLC (“CBS, LLC”). In 2010 CBS, LLC partnered with its 51st credit union and expanded in the neighboring states of Tennessee and West Virginia. CBS, LLC is proud to be partners with the following credit unions:

- |   |   |
|---|---|
| Abbey Credit Union                          | AurGroup Financial Credit Union                 |
| Buckeye State Credit Union                  | CHACO Credit Union                              |
| Cincinnati Ohio Police Federal Credit Union | CINCO Family Financial Center Credit Union      |
| Cintel Financial Federal Credit Union       | Clyde-Findlay Area Credit Union                 |
| CME Federal Credit Union                    | CODE Credit Union                               |
| Communicating Arts Credit Union             | Community First Credit Union                    |
| Day Air Credit Union                        | Day Met Credit Union                            |
| Dayton Firefighters Federal Credit Union    | Directions Credit Union                         |
| Emery Federal Credit Union                  | Fiberglas Federal Credit Union                  |
| First Ohio Credit Union                     | First Service Federal Credit Union              |
| FirstDay Federal Credit Union               | Fremont Federal Credit Union                    |
| Glass City Federal Credit Union             | Golden Circle Credit Union                      |
| GROhio Community Credit Union               | Hopewell Federal Credit Union                   |
| KEMBA Financial Credit Union                | KH Network Credit Union                         |
| Marion Community Credit Union               | Members First Credit Union                      |
| Members Heritage Federal Credit Union       | Miami University Community Federal Credit Union |
| MidUSA Credit Union                         | Midwest Community Federal Credit Union          |
| Millstream Area Credit Union                | PEF Federal Credit Union                        |
| Ohio Healthcare Federal Credit Union        | Ohio University Credit Union                    |
| Ohio Valley Federal Credit Union            | ORNL Federal Credit Union                       |
| River Valley Credit Union                   | Sharefax Credit Union                           |
| Sun Federal Credit Union                    | Taleris Credit Union                            |
| TeleCommunity Credit Union                  | Universal 1 Credit Union                        |
| University of Kentucky Federal Credit Union | Vacationland Federal Credit Union               |
| Western Credit Union                        | West Virginia Central Credit Union              |
| Wright Patt Credit Union                    |   |

We are very excited about the growth opportunities in 2011 and thank all our credit unions for their continued support.

| KEY RATES             | Current | 1 Month Prior | 3 Month Prior | 6 Month Prior | 1 Year Prior |
|-----------------------|---------|---------------|---------------|---------------|--------------|
| US T-Bill 1 yr Index  | 0.30    | .27           | .26           | 0.29          | 0.40         |
| US T-Bill 3 yr Index  | 1.01    | .78           | .73           | 1.21          | 1.42         |
| Prime Rate            | 3.25    | 3.25          | 3.25          | 3.25          | 3.25         |
| US T-Bill 5 yr Index  | 1.99    | 1.54          | 1.43          | 2.05          | 2.43         |
| US T-Bill 10 yr Index | 3.36    | 2.88          | 2.72          | 3.26          | 3.69         |

# CBS Continues to Remain Committed in 2011

Cooperative Business Services, LLC and its consortium of area credit unions have enjoyed a very successful year in 2010. While market and economic challenges continue throughout our footprint, CBS remains committed to the origination and servicing of the best business loan opportunities available. For 2011, we anticipate a renewed sense of commitment to business lending from area banks and believe that rate and fee pressures will escalate as competition engages the better credit opportunities in the communities we serve. We continue to embrace all opportunities in small business – and remain committed to delivering our best in service and in product to the small business owners in the areas we serve. While the banking community may have historically pulled back with regard to commercial lending, CBS and its credit union consortium have continued forward and remain a consistent and viable alternative to those we view as our competitors. It remains critical to emphasize the credit union difference – that we are people helping people and that we deliver what we promise. That approach has served us well and remains true to the credit union mission. Our encouragement to our credit union clients is to remember the competitive strength we bring to the market and that, together, we can compete with any competitor for any high quality loan opportunity – and win.



Keith D. Reed  
President / CEO

*Happy New Year!*



*Thank you for your continued confidence in CBS and we wish you all a healthy, happy and prosperous New Year!*

Questions, comments, or suggestions? Email us at [kreed@cbcsuso.com](mailto:kreed@cbcsuso.com) or call 888-697-9555