

# Straight Talk.

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Pepper Forrest joined Cooperative Business Services, LLC in March 2007 and currently serves as a Commercial Loan Administrator in the closing and compliance department. Pepper manages business loan closings for CUSO affiliated credit unions and their members in addition to providing administrative support for the CUSO when needed. Welcome, Pepper!

Pepper can be reached at 1-888-697-9555 x109 or [pforrest@cbscuso.com](mailto:pforrest@cbscuso.com).

## *A Note From the Secretary*



### *Collaboration Works!*

Webster defines collaboration as “To work together, especially in a joint intellectual way”...or “To work together on a common enterprise or project”. People define collaboration in many ways. To some it means getting their own way. “I will collaborate as long as I get my way” or “as long as everyone thinks like I do or agrees with me, we can collaborate”. However one chooses to define the term, all I know is there are very few forces that can compare to the force of a group of individuals all passionately working together towards a common purpose, not caring who gets the credit. When that happens in its purest form, great things result. That’s exactly what happened when Cooperative Business Services, LLC (“CBS”) was formed. A group of individuals got together with one purpose in mind...*find a way to make business loans both responsibly and safely*. Nine individuals were able to set their rather elevated egos aside long enough to develop something for the common good of the group. Was it difficult? You bet! Did it take a lot of time? Right again! Was it worth it? ABSOLUTELY! Just ask any of the thirty credit unions currently using the services of CBS or some of the hundreds of business owners who are members of these credit unions if CBS has made a difference in their lives. I know at my credit union, we’ve been able to help many members who would not have been able to obtain financing for their dream of becoming a business owner if not for CBS. I currently serve as Board Secretary for the business lending CUSO. It is my opinion that CBS has been a tremendous resource in helping to advance the cause of the credit union movement by helping credit unions make a positive contribution to the financial well being of our members and to society as a whole. But guess what! We’re not done yet! To this day, at virtually every Board meeting or planning session, Board and management are constantly being challenged by each other to make CBS even better. Assumptions, processes and procedures are being revalidated or modified to be more effective and efficient. Expertise is being added through additional well qualified employees & partnerships in an effort to make CBS the best it can be. Sometimes I wonder if we will ever be done. But then again, I hope not! One of the visions we all share at CBS is that one day we can be looked at as a model of cooperation and collaboration & that the new definition of collaboration will be “Credit Union”.

John Bowen  
Board Secretary of CBS/President & CEO of River Valley Credit Union

### Cooperative Business Services, LLC

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John Bowen  
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Our sincerest thanks to everyone who contributed ideas, stories, or pictures for this issue.

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## **CBS NEWS:**

- Midwest Community Federal Credit Union (Defiance, OH) and Sharefax Credit Union (Cincinnati, OH) are now APPROVED to participate in the SBA 7a Program.
- KMC Network Credit Union and FirstDay Financial Federal Credit Union are in the process of securing approval to participate in the SBA 7a Program.

## *Cooperative Business Services, LLC launches Pilot Business Development Officer Training Program*



Cooperative Business Services, LLC has launched a pilot training program designed to educate and develop CEO appointed credit union personnel as commercial lending business development calling officers. The program, launched September 19, 2007, requires a two year training commitment designed to cover product knowledge, market calling strategies, networking development, group presentations, handling objections, negotiating skills and a host of other professional best practices in business lending. The inaugural class is comprised of the following:

Brad Mader – KMC Network (Dayton, Ohio)  
Jan Flynn – Abbey Credit Union (Vandalia, Ohio)  
Lori Willoughby – Day Air Credit Union (Kettering, Ohio)  
Zack Clark – First Day Financial Credit Union (Dayton, Ohio)  
Tracey Carillo – First Day Financial Credit Union (Dayton, Ohio)  
Pat DeCesare – Toledo Area Community Credit Union (Toledo, Ohio)  
Mike Smaby – River Valley CU, Aurgroup Financial CU and Day Air CU (SW Ohio)  
Colleen Fite – Sharefax Credit Union (Batavia, Ohio)  
Jessica Lehman – Sharefax Credit Union (Batavia, Ohio)  
Lori Matherly – Members Heritage Federal CU (Lexington, KY)  
Leah Newsom – Members Heritage Federal CU (Lexington, KY)  
Linda Jones – Members 1<sup>st</sup> Credit Union (Columbus, Ohio)  
Mae Gasa – Clyde Findlay Credit Union (Clyde, Ohio)  
Jill Cottone – Ohio Credit Union League (Dublin, Ohio)

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### **Three New Credit Unions Join CBS**

CBS would like to welcome TeleCommunity Credit Union, Ohio HealthCare Federal Credit Union, and Hopewell Federal Credit Union as the newest credit unions to affiliate with the CUSO. We look forward to working with everyone and establishing great partnerships. WELCOME!!!



# Basic Construction Lending Requirements

While commercial lending involves a number of due diligence items to be collected and reviewed by the lender, additional due diligence requirements arise if the transaction involves construction. These additional requirements can differ depending on the size, scope, and complexity of the construction project. However, there are a number of items critical to almost all commercial construction projects.

**Survey** – The survey is simply a measurement of the land, prepared by a licensed land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any improvements. Most lenders will require an “ALTA Survey” which is a detailed survey that meets stringent requirements developed by the American Land Title Association.

**Construction Contract** – The construction contract is typically negotiated between the borrower and the independent general contractor. However, because the contract is usually assigned to the lender, the lender and counsel should thoroughly review the provisions from the lender’s point of view. The most desirable contract is a “fixed price contract” due to the risk of cost overrun. The contract should have a definitive completion date and encompass the entire project. Most commercial construction projects provide for retainage adequate for the borrower and lender to hold economic leverage over the final completion of the project. Retainage is a portion of the total contract amount that is withheld from the general contractor pending verification that the improvements have been built according to project specifications and that all invoices have been paid. The common retainage rate is 10%.

**Bonding** – Most surety bonds provide assurance that a construction project will be successfully completed and that the subcontractors and suppliers are paid. Typically lenders require both a payment and performance bond. A performance bond assures that the general contractor is capable and qualified to perform the contract and protects the borrower (and ultimately lender) from financial loss. A payment bond assures that subcontractors and suppliers will be paid, protecting the borrower and lender from mechanic’s liens.

**Insurance** – Various types of commercial insurance are required for construction loans. The two most common are builders risk and general liability insurance. Builders risk insurance typically provides protection from theft of materials and other hazards during construction. General liability insurance provides protection from lawsuits during the construction process.

While no construction project is 100% foolproof, implementing these basic requirements will go a long way in ensuring that the project progresses smoothly and the construction lender is protected to the greatest extent possible.



Andrew Conley  
General Counsel & VP/Compliance



## Credit Union Showcase



CODE Credit Union, Inc.  
Dayton-Englewood  
(937) 222-8971  
[www.codecu.org](http://www.codecu.org)

CODE Credit Union originally chartered for the city of Dayton employees in 1940 has since expanded to include businesses and individuals living, working or attending school in Montgomery, Miami, Preble and Darke counties.

Designed to fit any size business, church and organization, CODE's Business Service Solutions help businesses stay profitable and competitive. Our one-to-one approach allows us to tailor our programs to fit specific needs. Along with customized financing for real estate, terms loans, lines of credit and Visa Business Gold we offer interest bearing checking, high yield deposit accounts, free online banking and low cost Merchant Services. Harrison Financial Group, the investment planning firm located at CODE, can provide employee retirement plans for any size business from entrepreneurs to large companies. CODE membership is also available as a no cost employee benefit.

Being a part of the community for over 65 years enables CODE to better understand and serve its members' financial needs with local decision making. Our knowledgeable and experienced staff provides the most effective solutions to a business' unique needs without forgetting that ever so important personal touch.



Midwest Community Federal Credit Union  
Defiance-Napoleon  
(419) 783-6500  
[www.midwestcommunity.org](http://www.midwestcommunity.org)

The hourly and salary employees of Defiance GM Powertrain plant started DECIO Federal Credit Union in 1954 and operated from Mr. Louis Westrick's satchel for several years. Fifty three years later Midwest Community Federal Credit Union serves over 13,800 members and 90 Associated Businesses in the six northwest counties of Ohio including Williams, Fulton, Henry, Defiance, Paulding and Putnam counties. We have grown to \$101,000,000 in assets by meeting our members' changing financial needs with a full array of financial products and services.

Midwest Community Federal Credit Union's mission is to build lifelong trusted relationships with our members through personalized financial services. We accomplish this by providing access to personal Financial Service Representatives who focus on financial education and individualized products and services. Our goal is to enable our members to become financially self-sufficient and successful. Our newest product suite at Midwest Community Federal Credit Union focuses on the success of our small business owners. We have rolled out an entire Business Suite highlighting business deposits, business debit and credit cards and merchant processing to complement our current business and agriculture loan products.

## Networking Skills in Action!

Although we are all friendly enough, take us out of our element and we can become shy, almost to the point of hibernation. At any organized networking event there are always some easy ways out: don't go, hang with people you know, or mill around the bar and food tables pretending you are really interested in the cocktail franks.

Even if shyness doesn't plague you, even if you feel you are in your element at a convention, conference, expo or training class you may still be overlooking one of the most important aspects of the setting: the opportunity to network, begin new relationships and to brand your credit union or company.

Here are some great ways to come out of your shell when representing your company or credit union at special events:

- When you walk into a class/session, rather than picking an aisle seat toward the back (for an early escape), walk right up to the front row (or near the front), pick out a seat with someone behind you and introduce yourself the moment you sit down. In addition to meeting one new person, this approach serves three additional purposes:
  1. Everyone in the room will notice you as you walk toward the front .
  2. If any perspective clients or members are in the room, they will definitely see you.
  3. You will have a chance to talk first with the speaker one on one either before or after the session.
- If you are at an event where there might be 15 to 20 round tables in a room :
  1. Be the first to pull out your business card at the table. Everyone else will follow (and they will remember you were the first). I always like to pronounce our Company name as well as my last name in case there is anyone who may be unsure of how to say it.
  2. If there is time at the beginning of the session ask everyone to introduce themselves. Perhaps encourage people to relate a funny (short) story about an "adventure" in their lives...perhaps initiate this with a story of your own! This will help you remember them and vice versa (depending on your story!). I always tell about an exciting, pre-9/11 trip that my husband and I took to Greece. The City of Athens was getting ready for the Olympics (yes – years in advance) and we were able to go in the original Olympic Stadium and sit in the "King and Queen" stone chairs to rule our own empire. We were the only ones there.
- Finally, consider some very straightforward approaches to successful networking:
  1. Look for a familiar face but make sure there are several people around that person whom you don't know. This is a great way to be introduced by a "friendly" (as I like to call them).
  2. Look for someone else standing alone; they are always glad to talk to you.
  3. Look for smiling and laughing faces; typically such folks won't mind if you interrupt them to say hello and introduce yourself.
  4. When you ask someone what they do or where they work, be sure to ask, too, if there is a way that you can help them. Mutually beneficial relationships are always the best relationships.

These are just a few ways to make the most out of your networking and relationship building opportunities... and they do work. I have met lifetime friends and business partners at these functions from all over the county and look forward to each event as a chance to establish a satisfying – and perhaps profitable – relationship.



Leslie Biskner  
VP/Business Lending

## Are you marketing that you offer business lending?

Over the past few years more and more credit unions are now offering business lending products. This is a huge step for the credit union movement, but do existing and future credit union members know that credit unions are now offering these products?

It's essential that all credit unions have a solid marketing plan in place for their lending program. Understanding principles and proven tactics for marketing business loans is ideal for every credit union's success. Depending on the types of loans credit unions offer, a variety of techniques can be used for great results. Numerous credit unions have used different types of marketing to promote business lending such as: designating a section of their website for business lending, customizing their brochures to include business products, announcing in their newsletters they now offer business lending, signage in lobbies at different branches and targeted mailers to existing and future members.

All of these items are a great way to let existing membership know about new products and services as well as future membership. If your credit union is currently offering business lending but not marketing it, take the next step and develop a marketing plan to do so.



Daisy Shafer  
AVP/Marketing & Administration

## TESTIMONIALS

### Williams Family Properties, LLC



“Since the start of our project the staff at Cooperative Business Services and AurGroup Financial Credit Union have been a pleasure to work with. Their attention to detail made our loan process very simple and quite refreshing.

With the help of CBS and AurGroup we have been able to grow our business by 100%. Thank you for supporting the small business owner. As our expansion continues, I look forward to working with CBS and AurGroup.” - Scott Williams

### Campus Management, Ltd.



“It has been a pleasure working with Cooperative Business Services, LLC and everyone on their team.

Mike Smaby was a pleasure to work with as he continually came up with great ideas “outside the box” to help us find a solution for our financing and Keith Reed took the time to creatively underwrite a loan that was by no means an easy one to make. In addition, Tim and his team at AurGroup Financial are one of the friendliest and most helpful groups we have ever worked with. They took the time to meet with us after the loan was closed just to make sure we were satisfied and to see what their organization could further do to help our company. We are excited about our new relationship with CBS and AurGroup Financial and have already recommended them to other businesses we work with”. - Ed Horgan

## Is your credit union SBA 7a approved?

Over the past year, it has been my pleasure to work with many of our Credit Union clients in becoming an approved SBA 7a lender. We now have 17 Credit Union's approved to participate in the program. The application process is very arduous and time consuming, but the benefits are well worth the effort. The SBA is committed to opening their flagship SBA 7a program to Credit Unions because they feel we are more in touch with the small business owner and their lending needs. The most important thing to remember when contemplating becoming an approved SBA lender is how to use the program effectively.

When your credit union is working on their Member Business Lending Policy it is important to review what the policy states. The SBA is looking at the experience of you as the lender and your Member Business Lender's capacity to effectively market, underwrite, service and if need be, liquidate the loan. By affiliating with Cooperative Business Services, LLC – you have taken the first step in satisfying their concern. However, the SBA has an agreement with the Credit Union as the lender. So in an effort to assist you with being approved, there are some house-keeping items you should address. The SBA wants to see that your policy specifically addresses the SBA 7a program. There are various nuances to the program that dictate rates, terms, loan to values and fees. Several examples of such "nuances" are (1) no origination fees are allowed under the 7(a) program and (2) your loan to value for real estate can be up to 90% and (3) you can finance business acquisitions without real estate and provide working capital. Terms of the loans are also very different than conventional products. For instance, did you know that under the SBA 7a program a term loan for a real estate purchase allows up to 25 year term and 25 year amortization? If your Credit Union is looking to diversify the portfolio, this is a great program to help you accomplish that. The interest rate for these loans is tied to Wall Street Journal Prime, with 2.0 to 2.75 percentage point spread over the index. This creates a nice return and helps offset competitive pricing offered on other credit union loan products.

You may be wondering about the difficulty of the process and why your Credit Union should consider becoming approved to participate in this program. Cooperative Business Services will assist credit unions throughout the process utilizing a detailed checklist of items required. We are also creating a separate SBA 7a Member Business Lending Policy for your Credit Union which, if adopted by your Board, will satisfy the SBA's requirements. The next step in the process is taking time to compile the additional data on the checklist. Much like submitting a commercial loan request, there are financial reports, Charters, Articles of Incorporation, Bylaws, Proof of NCUA Insurance Certificate, Resume's for key personnel and identification of your branch and office locations. The SBA wants to see how committed you are to the process, and how cooperatively you will work with them to make sure your Credit Union will be successful in delivering the SBA 7(a) program to your membership.

The SBA 7a product is a wonderful addition for your Credit Union. It will allow you to offer an additional small business financing solution to those members who may not qualify under conventional loan financing terms. The 7(a) program will also assist your Credit Union in helping your local small business owner grow their business, create employment opportunities in your communities and grow your membership base. If you have not considered the SBA 7a, I would recommend investigating the products and services offered. Please visit our website and view some of our testimonials to see how the SBA products have helped other businesses grow. For more information visit [www.cbcsuso.com](http://www.cbcsuso.com) or contact Cooperative Business Services, LLC.



Lorain Cooper  
VP/Business Development & SBA Lending

KEY RATES					
	Current	1 Month Prior	3 Month Prior	6 Month Prior	1 Year Prior
US T-Bill 1 yr Index	4.01	4.85	4.95	4.90	5.01
US T-Bill 3 yr Index	4.15	4.16	4.89	4.54	4.71
Prime Rate	7.75	8.25	8.25	8.25	8.00
US T-Bill 5 yr Index	4.12	4.34	5.04	4.54	4.70
US T-Bill 10 yr Index	4.42	4.62	5.14	4.56	4.65