



Member  
Business  
Lending

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CREDIT UNION

# Lessons Learned Producing Results in Commercial Lending

**Don L. Clark, Jr.**  
**President/CEO**



# Business Lending

It's a Marathon...Not a Sprint...

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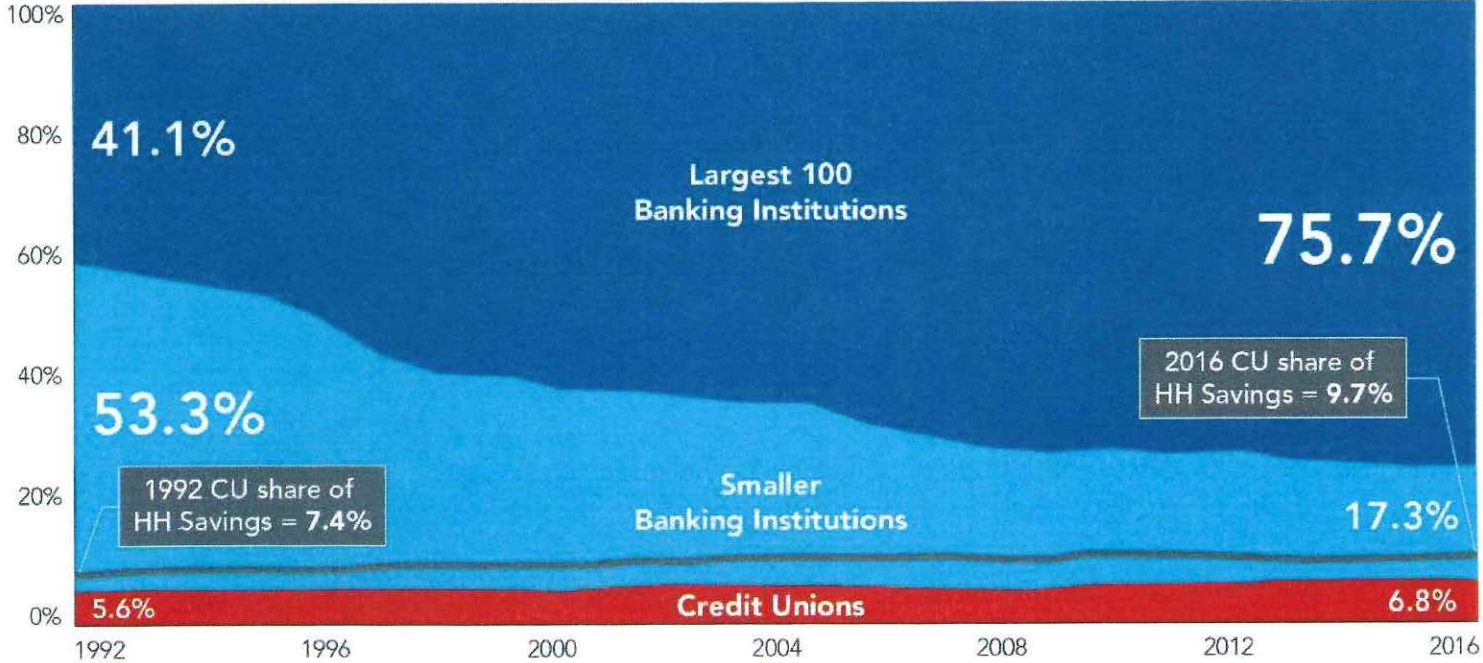
# Why Credit Unions?

- 1/3 of members own or work for a small business
- DBA's (# of accounts > 8 check deposits or Wire/ACH ins?)
- “Small loans” a natural for Cus
- The most profitable loan
- Decrease in Community Banks
- Big and Regional Bank mindset and appetite for larger loans

# Big Banks Increasingly Dominate

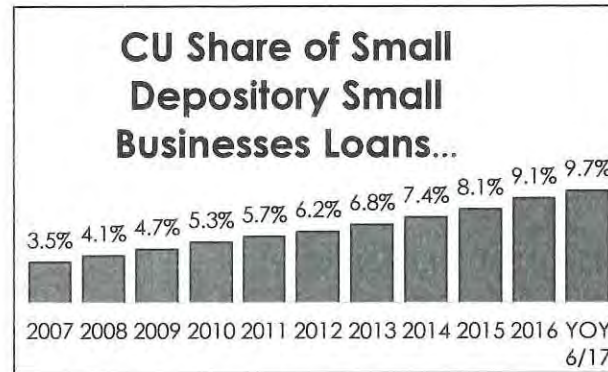
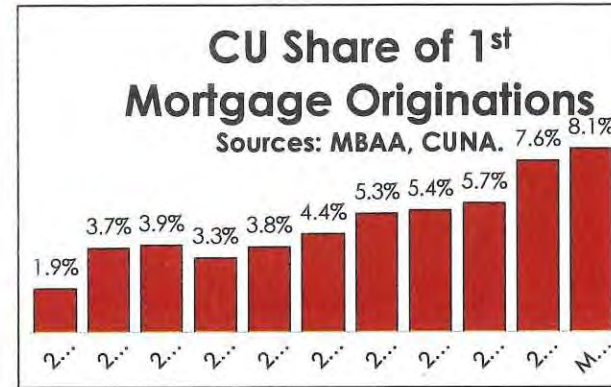
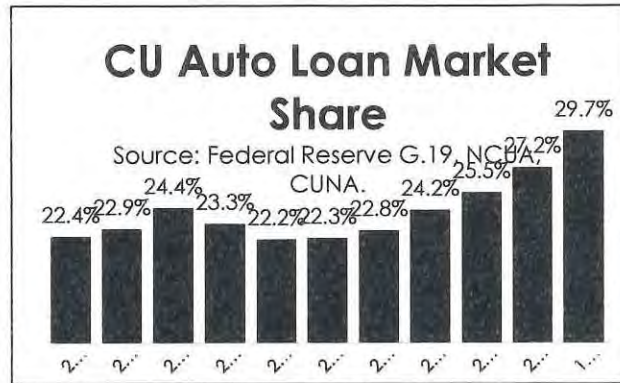
Market Share of Total Assets

Sources: FDIC, NCUA, CUNA.



# Winning = GROWTH

FAST growth = HIGHER Market Share!



# Internal Barriers and Myths

- “CUs shouldn’t serve businesses”
- “CUs can’t compete against the banks”
- “Banks have forgotten more than CUs know”
- “Cheaper to do SBAs in-house”
- “Not worth giving give up “Control” to a CUSO”
- “Business loans too expensive to do”
- Others????

# Maiden voyage

## MACU

- 2004 - \$0 SBA loans, \$65 million CRE
- 2009 - \$100 million SBA loans and \$200 million CRE loans
- Internal + MBL resources
- 1<sup>st</sup> CU in SBA lending – reputation building
- 1 loan per month per Branch – reasonable goal
- \$300k marketing outreach – build awareness and product promotions
- How many loans would it take to pay for this initial campaign? 2.5% ROA x \$12 million. \$1 million per month? Probability?
- Business deposits – significant growth, liquidity tool to fund loans

# Sound CU Portfolio Growth

## Business Accounts and Loan Activity

### Deposits

Year	2012	2013	2014	2015	2016	2017	% Growth	\$ Growth
Number	5,119	5,641	6,306	8,011	8,572	9,165	79.0%	2012 to 2017
Amount	\$28,014,964	\$32,880,006	\$39,991,735	\$57,790,892	\$65,575,140	\$69,816,232	149.2%	\$41,801,268

### Loans

Year	2012	2013	2014	2015	2016	2017	% Growth	\$ Growth
Number	75	73	81	91	106	105	40.0%	2012 to 2017
Amount	\$34,486,541	\$35,519,667	\$41,128,202	\$57,470,032	\$88,911,372	\$122,705,318	255.8%	\$88,218,777
#Staff	1	1	2	3	4	5		



# Profitability (no-Corporate Overhead Allocation)

Loan Type	ROA
Credit Cards (\$6.0 million NI)	7.55%
Business Loans (\$4.3 million NI)	4.15%
Real Estate Loans (\$11.0 million NI)	3.65%
Indirect Loans (\$11.6 million NI)	2.68%

# Online Advertising

Digital ads displayed from April to July and September to December of 2017



# Radio Advertising

## 2017 Sound Credit Union Radio – “Machine Shop” :60

MAN: When I first opened my machine shop, I had a simple plan. Do good work, stay profitable, keep addin’ customers. For years, that worked just fine. But as we got bigger, we kinda hit a... plateau. In order to get to the next level, I needed help.

That’s where Sound Credit Union Business Banking came with the loan and line of credit I needed to grow my business.

A bigger workshop, more crew, new tools, a new e-commerce website — all that stuff costs money. Sound helped me get it and put it to work.

These days, my plan is still pretty simple, but it’s a lot smarter. Now, with more access to money when I need it, I’m ready for whatever the economy throws at me.

ANNCR: Sound Credit Union is one of the top SBA lenders among Washington credit unions. As a Preferred SBA lender, we get to “yes” faster. Sound Credit Union. Your membership. Your money. Your way. *Federally insured by NCUA.*



This 60 second spot ran across seven local radio stations from April to November

# Email Advertising



**We're in business with business**

**Get the money you need to move your business forward.**

Sometimes it's as simple as having the right partner. Our Business Services team is here to help you find the right loan or simply answer your questions.

With low rates, low fees and fast local decisions, Sound Credit Union is helping Puget Sound businesses achieve their full potential.

- Commercial Real Estate Loans
- Equipment Loans
- SBA Loans
- Lines of Credit

**Full Service Business Banking**

Sound has what you need to make managing your business easier, and with 24 branches throughout Puget Sound, we're always nearby.

**Get Started Today**

An email regarding business lending went to members in June 2017

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# In-Branch Advertising



**Your business  
is our business.**

**Competitive loan rates.  
Fast, local decisions.**

learn more at [soundcu.com/business-loans](https://soundcu.com/business-loans)

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YOUR MEMBERSHIP. YOUR MONEY. YOUR WAY.

In November 2017, posters and roll-up banners were installed in branches.

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# Direct Mail Advertising

Postcards were sent in May and July to members and non-members businesses.

**Get the money you need to move your business forward.**

Sometimes it's as simple as having the right partner. Our Business Services team is here to help you find the right loan or to simply answer your questions.

**Low rates, low fees, and fast local decisions.**

- Commercial Real Estate
- SBA Loans
- Equipment Loans
- Lines of Credit

 **Ryan Horan**  
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soundcu.com/business

**Full-Service Business Banking**  
Sound has what you need to make managing your business easier, and with 24 branches throughout the Puget Sound area, we're always nearby.

Federally insured by NCUA. Financing terms and maximums vary and are determined by borrower qualifications and use of funds. Standard fees apply. Must be a Sound Credit Union member to participate. Anyone who lives or works in Washington State can join. Membership at Sound Credit Union requires a savings account with a minimum balance of \$25. Equal opportunity lender.

**SOUND**  
CREDIT UNION 253.383.2016 | 800.562.8130 | soundcu.com



**We're in business with business.**

Helping Puget Sound businesses achieve their full potential.

**SOUND**  
CREDIT UNION  
YOUR MEMBERSHIP. YOUR MONEY. YOUR WAY.

**SOUND**  
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# SBA Market

- Too few loans to justify the resources
- Compare 1 CRE at \$3 million and 30 - \$100k SBA loans – Resources?
- Expertise required
- MBL partnership
- Portfolio growth and same staff count
- Small business owners have personal needs. Increase Products and services per household – Wallet Share

# Lessons Learned

- Credit Unions already serve business owners with consumer loans
- Do the Math – Business Loan profitability
- BDO production requirements – pay for themselves
- CUs are successful business lenders in their communities. It's been done.
- Need CEO, Board, and Executive Management support
- Hire people with experience! Can train internal lenders but hire former bank BDOs. Experience, Relationships, Loyal Customers
- Use CUSO experience for technical SBA skills, annual reviews, underwriting, and other services – expand your department



# Exist to Serve Members

- The more our members use the CU, the more value to the members

## Products and Services per Household

	Services/HH	\$\$ Balances	ROA
<b>Retail/Consumer</b>	2.40	\$537 Mil	2.10%
<b>Indirect</b>	2.09	\$410 Mil	0.65%
<b>Business</b>	3.53	\$139 Mil	2.50%
<b>Mortgages</b>		\$220 Mil	2.25%
<b>VISAs</b>		\$100 Mil	4.50%

# Interesting Numbers

## Lending Activity 12/31/17

State	Name	\$ Total Assets	\$ Total Loans Outstanding	\$ Business Loans Outstanding, Total	# Business Loans Outstanding, Total	\$ Member Business Loans (MBL) Granted or Purchased YTD	\$ Indirect Loans Outstanding	\$ Consumer Loans YTD Originations	Real Estate Loans Outstanding	\$ Fixed Rate 1st Mortgage Loans Granted YTD
WI	Altra	\$1,386,493,373	\$1,224,234,715	\$137,946,272	425	\$41,442,108	\$182,033,224	\$278,971,345	\$638,627,301	\$222,679,289
UT	America First	\$9,214,916,059	\$6,956,797,932	\$329,090,080	502	\$145,233,875	\$2,961,664,048	\$5,632,447,840	\$1,634,502,304	\$743,322,548
MO	Anheuser-Busch Employees'	\$1,661,974,372	\$1,429,029,792	\$110,845,167	279	\$20,385,421	\$433,355,517	\$324,699,588	\$544,700,567	\$121,335,261
ID	Beehive	\$252,763,878	\$207,654,129	\$0	0	\$0	\$5,514,351	\$46,211,584	\$114,193,607	\$63,897,064
NM	Del Norte	\$592,309,588	\$414,854,114	\$0	0	\$0	\$188,990,802	\$154,876,091	\$114,010,025	\$26,542,280
WI	Educators	\$1,972,452,061	\$1,655,317,444	\$14,253,667	122	\$7,810,730	\$43,782,559	\$275,081,755	\$1,053,943,191	\$186,079,006
HI	Gather	\$486,053,931	\$266,093,907	\$5,832,210	16	\$1,994,996	\$55,119,845	\$67,244,549	\$134,132,249	\$24,210,941
OK	Green Country	\$62,041,911	\$46,771,242	\$4,522,783	59	\$2,755,944	\$771,032	\$15,095,048	\$18,427,164	\$1,656,451
WA	Harborstone	\$1,245,867,315	\$927,293,994	\$230,272,148	298	\$92,542,179	\$372,401,954	\$102,684,634	\$429,878,354	\$34,162,262
CA	Kinecta	\$4,250,081,518	\$3,626,821,685	\$830,217,088	428	\$266,325,977	\$2,329,059,031	\$757,105,652	\$2,010,430,244	\$387,868,661
TX	Randolph-Brooks	\$8,646,000,207	\$6,679,872,438	\$324,328,696	917	\$109,067,736	\$967,044,723	\$2,672,698,729	\$3,098,280,994	\$659,778,713
CA	SAFE	\$2,711,056,427	\$2,188,560,360	\$170,536,655	284	\$30,052,399	\$817,672,150	\$714,665,795	\$1,077,854,797	\$295,172,124
CA	Sierra Central	\$936,067,612	\$682,761,684	\$5,256,185	35	\$6,021,010	\$318,979,880	\$277,630,673	\$164,707,333	\$32,527,175
WA	Sound	\$1,461,033,316	\$1,094,914,903	\$122,705,318	105	\$47,220,436	\$462,266,840	\$163,867,804	\$434,878,623	\$114,526,823
CA	Southland	\$742,202,454	\$507,624,098	\$60,280,455	43	\$2,900,000	\$121,989,210	\$118,326,662	\$282,121,745	\$46,979,257
FL	Suncoast	\$8,742,335,897	\$6,396,247,549	\$43,130,379	116	\$5,886,708	\$1,014,260,111	\$2,907,030,309	\$2,469,952,619	\$239,936,069
NC	Truliant	\$2,242,511,668	\$1,796,190,449	\$177,438,673	2546	\$41,034,283	\$320,872,763	\$523,214,355	\$761,688,686	\$123,134,831
OK	Tulsa	\$735,556,242	\$520,124,065	\$31,627,771	37	\$18,156,585	\$231,602,169	\$172,569,768	\$160,682,901	\$31,584,658
CA	UNIFY Financial	\$2,835,749,439	\$2,235,483,119	\$269,656,162	187	\$125,601,882	\$422,651,282	\$393,871,744	\$1,216,122,544	\$269,104,365
TX	United Texas	\$229,489,548	\$172,101,889	\$7,353,844	54	\$1,192,444	\$22,290,321	\$36,097,222	\$82,460,813	\$13,686,246
UT	Utah First	\$350,013,726	\$294,261,895	\$78,136,013	242	\$38,183,489	\$29,126,311	\$82,040,765	\$178,872,013	\$21,758,792
CA	Ventura County	\$836,490,077	\$598,547,837	\$49,279,897	122	\$22,562,681	\$51,525,781	\$145,455,924	\$318,863,189	\$72,869,947
UT	Wasatch Peaks	\$309,189,021	\$256,011,737	\$44,463,467	137	\$16,883,980	\$56,196,070	\$70,237,552	\$119,844,821	\$18,941,356
WA	Washington State Employees	\$2,765,324,543	\$2,174,191,165	\$208,222,663	131	\$48,253,024	\$948,355,667	\$625,648,826	\$755,978,112	\$165,020,236
<b>Totals for 24 institutions</b>		<b>\$54,667,974,183</b>	<b>\$42,351,762,142</b>	<b>\$3,255,395,593</b>	<b>7085</b>	<b>\$1,091,507,887</b>	<b>\$12,357,525,641</b>	<b>\$16,557,774,214</b>	<b>\$17,815,154,196</b>	<b>\$3,916,774,355</b>
<b>Averages for 24 institutions</b>		<b>\$2,277,832,258</b>	<b>\$1,764,656,756</b>	<b>\$135,641,483</b>	<b>295</b>	<b>\$45,479,495</b>	<b>\$514,896,902</b>	<b>\$689,907,259</b>	<b>\$742,298,092</b>	<b>\$163,198,931</b>

# 30,000 Foot View for CU Success

- Building earnings to grow Capital to support Growth
- Diversification of Loan Portfolio
- Grow Members and Usage of Products and Services
- Strong Efficiency Ratio
- Digital Transformation – Transactions, Marketing, Data, Access...
- Supporting Communities and economic Growth

# Thank You

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