

MOUNTAIN WEST SMALL BUSINESS FINANCE

MASTERS IN 504 LENDING



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- Welcome to the first session of the Masters in 504 Lending Series, presented by Mountain West Small Business Finance
- We appreciate your taking the time to visit with us today, and throughout this series

- Today's Presenter:

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Introductory Comments

- The SBA 504 loan is the best commercial loan product for small businesses, who need to acquire fixed assets and working capital
- As we know, 504 does come with its own unique set of rules and complexities
- But, when well understood by both the Lender and Borrower, 504 will almost always be the choice of the small business, who can then enjoy its important benefits.
- To that end, MVVSBF, an industry leader 504 education, is providing this series to our valued Lending Partners

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Today's topics

- Overview of the Masters in 504 Lending series
- MWSBF 504 Loan Production and Processing
- 504 Lending Cap – Legislative effort
- 2022 MWSBF Events

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Overview of Masters in 504 Lending

One-hour, virtual training sessions on the Fourth Thursday of every month, at 11:00am, MT. Topics (subject to change) include :

- The Basics of 504
- 504 Best Practices
- Eligibility
- Affiliation
- 504 Structuring
- Debt Refi
- Expansion Debt Refi
- SBA Submission, Packaging
- Closing
- Servicing
- Community Advantage, a companion to 504

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MWSBF 504 Loan Production and Processing

- As we are all very much “invested” in 504, I want to be transparent with our Lending Partners, about MWSBF’s lending performance
- In 2020 and 2021, as you know, we were confronted with large increases in 504 loan demand...



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MWSBF 504 Loan Production and Processing (cont'd)

Fiscal Year ended 9/30	Number of Loans Approved	Dollar Amt. of Loans Approved	Nat'l. Ranking
2019	189	\$133,848,000	7
2020	233	\$169,530,000	8
% Change (2019-20)	23.3%	26.7%	
2021	326	\$264,035,000	7
% Change (2020-21)	39.9%	55.75%	
2021 (4 mos. Ended 1/31)	105	\$ 85,429,000	
2022 (4 mos. Ended 1/31)	114	\$ 103,570,000	9
% Change (21-22)	8.6%	21.2%	
% Change (2019-21)	72.5%	97.3%	

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MWSBF 504 Loan Production and Processing (cont'd)

- Our 40-year-old loan processing model was not suited to meet this demand, which caused some MWSBF response and turn time challenges

- So, we have changed, or rather overhauled, it in three ways...
 - 1) We increased our Loan Origination **Staffing**, to unprecedented levels

 - 2) We created the “**Pool**”, a whole new loan processing model, which more evenly distributes workload

 - 3) Finally, we are also developing a new set of **Best Practices**, which creates greater efficiencies

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1) Staffing

- Our increased **504 Loan Officer** staff:
 - Spencer Davis, VP-Senior Lending Officer, Salt Lake Office (Manager and Lender)
 - Judd Blakesley, VP-Marketing, Gov't Relations, Salt Lake Office (Manager and Lender)
 - Kimberly Holley, VP, Salt Lake Office
 - Jeff Vanchiere, VP, St. George Office
 - Tyler Healey, VP, Logan Office
 - Blake Beck, VP, Orem Office
 - Brooks Harbertson, VP, Orem Office
 - Curtis Singleton, VP, Remote, but “attached” to Salt Lake Office

- Active Posting: Loan Officer (non-Utah markets)

- **Although our lenders are located in different geographical areas, over which they have primary marketing responsibility, our Lending Partners are welcome to use any officer they choose**

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I) Staffing (cont'd)

- Our Market Areas:
 - Utah statewide

 - Wyoming statewide

 - Colorado (counties that border Utah)

 - Northern Arizona (counties that border Utah)

 - Nevada (counties that border Utah, including Las Vegas)

 - Southeastern Idaho (counties that border Utah)

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I) Staffing (cont'd)

- Our increased **Loan Origination Specialist** staff (loan processing/SBA submissions):
 - Lindsay Cleverly
 - Michele Cline
 - Lindsay Boulter
 - Mickel Sampson
 - Spencer McMullin
 - Jennifer Elton
 - Melissa Smith
 - Mckay Dayton
 - Naila Mansha

- For efficiency purposes, we ask that you do not contact these Specialists for updates; please call your Loan Officer

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I) Staffing (cont'd)

- Our increased **Underwriting** staff (credit analysis and credit memo preparation):
 - Robert Edminster, Manager
 - Mike Oliver, Underwriter
 - Rachel Casilen, Underwriter
 - Natalie Dollinger, Underwriter (part-time)

- Active Job Posting: Underwriter

- We also ask that you do not contact the Underwriters for updates; please call your Loan Officer

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1) Staffing (cont'd)

- Finally, we have also increased our **Closing** staff:
 - Kay Ward, Manager
 - Goldie Olson, Senior Closing Specialist
 - Jennie Carter, Closing Specialist
 - Nate Paul, Construction Closing Specialist
 - Julie Dunford, Closing Assistant

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2) Loan Pool:

- We have transitioned from our historical model of Loan Specialists being “partnered” with specific Loan Officers to a “Loan Pool” format
- The Loan Specialists now form a “Pool”, which has the following characteristics:
 - 1) The work is spread equitably amongst the Specialists, eliminating “log jams” that slow processing times
 - 2) The Specialists are pulled off the phones, so that they can work through deals more efficiently
 - 3) Job descriptions and roles are more uniform and streamlined to make sure that each loan transaction is handled in the same way, no matter who was the Officer or Specialist
 - 4) The Origination Teams meets weekly to refine and upgrade this process

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3) Best Practices (a recurring subject in the series):

- Improving the Lending Partner/MWSBF Officer interaction...“Help us help you!”

- **Please submit a complete and accurate package**
 - We cannot move ahead, in a meaningful way, until the package is complete
 - The Application must accurately represent the documents provided

- **Early Loan application Prescreen and Planning**
 - The MWSBF Officer will review the package early to prepare the Needs List and assess loan structure, creditworthiness, eligibility, etc.
 - The MWSBF Officer and Lending Partner should discuss this review and plan the loan application and review process, timeline, etc.
 - Address time-consuming issues (Franchise, Environmental, Appraisals, Life Insurance, Tenant subordinations, etc.)

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3) Best Practices (cont'd):

- **MWSBF needs access to borrower**
 - Enhanced communication and understanding
 - Better expectation management
 - Long term MWSBF relationship with borrower

- **Please follow up all important emails with a phone call, to ensure receipt**
 - Particularly document packages

- **Upon SBA approval, MWSBF and Lending Partner should review Authorization terms and plan closing process**
 - Much smoother closing process, with less drama at our closing

- **Please use MWSBF Application forms**
 - Our process moves much faster with consistent, complete, acceptable forms

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3) Best Practices (cont'd):

- Projections are a major source of SBA screen outs at MWSBF and nationwide!

- Some key elements to ensure better/faster results:
 - 1) Revenues and margins must be well supported
 - 2) Post 504 funding liquidity must be acceptable
 - 3) Outside guarantor cashflow/strength is a big advantage
 - 4) Management experience must be acceptable

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504 Lending Cap – Legislative effort

- 504 has a statutory lending “cap”, or limit, of \$7.5 Billion annually
- 504 Refi has a separate cap of \$7.5 Billion
- At the current pace, 504 will run out of funds in June, leaving us without the ability to approve any new loans, except Refi, until October 1
- **BIG** problem, especially with a Congress, and Small Business Committees, that have become extremely divided and contentious
- If nothing happens, the 504 program could encounter major damage

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504 Lending Cap – Legislative effort (cont'd)

- At the national level, CDC's are raising our combined voices to Congress that this needs to be resolved quickly
 - They respond to a volume of input
- So, we are soliciting your help...
 - Will be sending you a copy of our basic Congressional letter, which we are asking you to review and reply, with your comments and/or endorsement, to

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- Upon receipt, we will send your responses to the Congressional delegations in Utah, Wyoming, and Colorado

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2022 Events

- Training:
 - Masters in 504 Lending
 - Other trainings as needs arise (suggestions are welcome!)

- Lending Partner Events
 - March: March Madness to be hosted by Orem, Logan, and Salt Lake Offices
 - A major summer event is in the planning stages...stay tuned
 - August: Golf tournament (One loan approval required)
 - September: Tailgates to be hosted by the Logan, Salt Lake, and Orem Offices
 - Weekend Getaway in planning stages

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Please join us for our next Masters in 504 Lending Session

- March 24, at 11:00am
- Topic: The Basics of 504
- Please invite all of those in your offices who have any present, or potential future, role in 504 lending to attend.
- Even experienced 504 lenders may benefit from this session

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THANK YOU FOR LISTENING



ANY QUESTION???