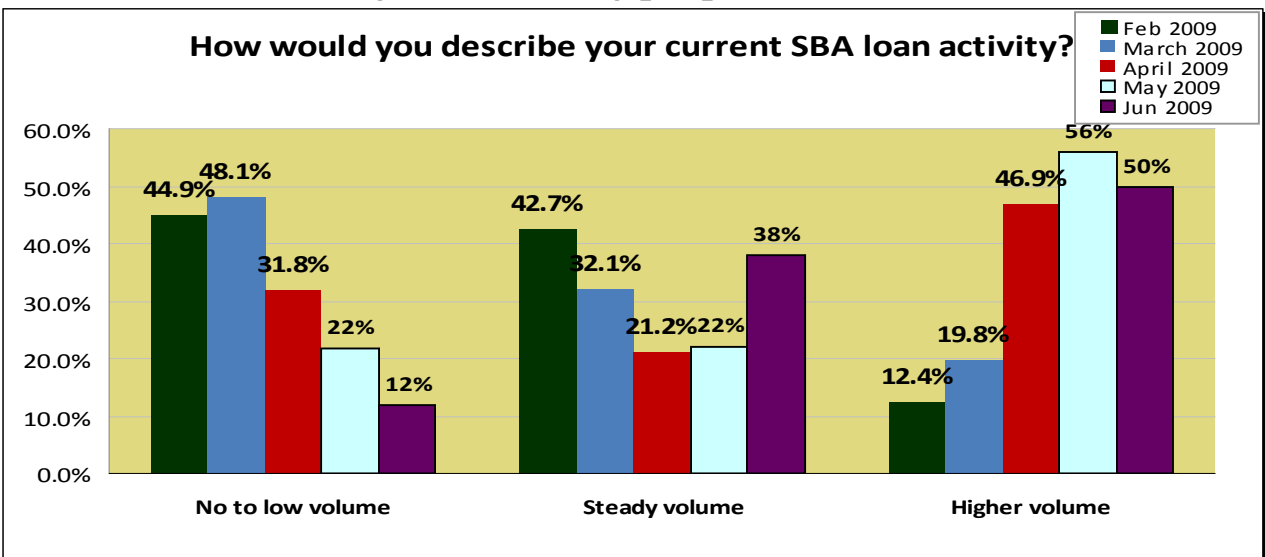


## SBA Lenders Pick Up Steam

Small Business Lender Sentiment Survey  
On Lending and Employment  
June 2009

More lenders lending again thanks to secondary market improvements!  
The SBA is hiring more lending people than all banks combined.



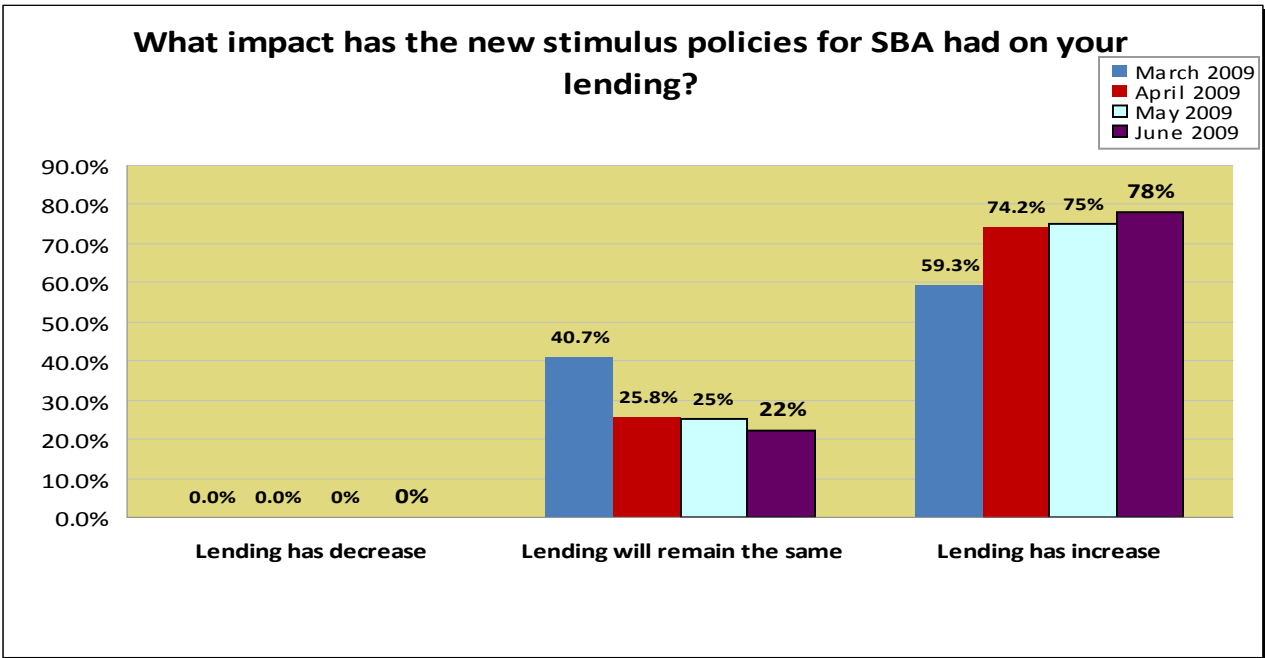
This month's survey provides promising news. More banks are lending again and the SBA is reporting significant improvement in the number and dollar volume of loan approvals. Almost all SBA districts are reporting **sharp increases** in loan activity in April and May. The PLP Approval Office is hiring credit staff as quickly as they can find them. This encouraging sign shows a strong commitment by the SBA to a continued quick turn on PLP approvals.

While more loans are being approved, credit remains as tight as it has been all year. However, the number of small business applications continue to rise. Those interviewed for this survey reported high loan applications. And it appears the customer is more willing than ever to meet the lender's loan requirements to get approval. This includes additional capital injections and providing more collateral as requested. In addition, there is very little argument over the pricing of the loan.

Many lenders have reported that the biggest issue they are facing is real estate appraisals that continue to come in lower than required. This is particular true in hard hit states like Florida, Nevada and California. And apparently, sellers are more willing than ever to negotiate to make the deal work.

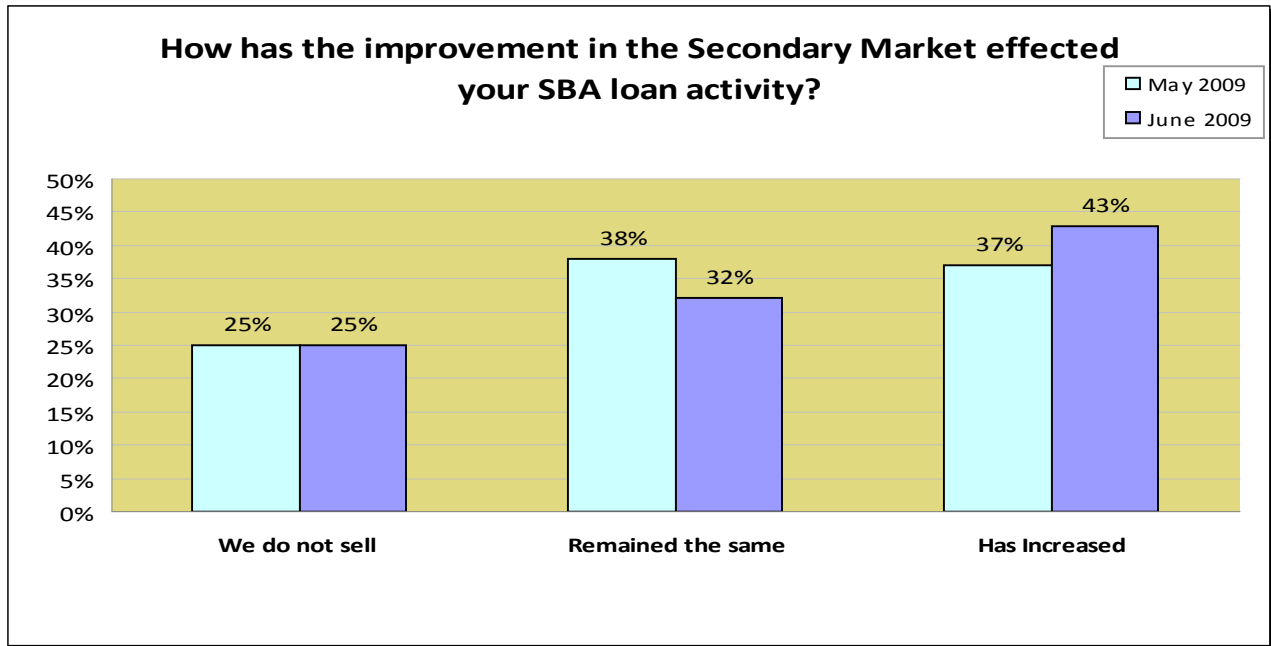
The industry is showing signs of improvement but, it appears that this economic recovery is going to be protracted. With growing delinquencies in commercial real estate loans, credit managers are not likely to loosen up approval parameters in the foreseeable future.

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Just about every article published about a new SBA loan underscores the significant value of having no customer fees charged by the SBA. Lenders are taking full advantage of this stimulus policy to promote SBA lending. **Never in the history of SBA lending has there been more publicity about the SBA and the positive steps it is taking to promote small business lending.** The new SBA Administrator, Karen Mills, reported just a few weeks ago that over 400 banks made their first SBA loan of this year in the last 2 months. Of those 400, 300 had not made an SBA prior to 2007.

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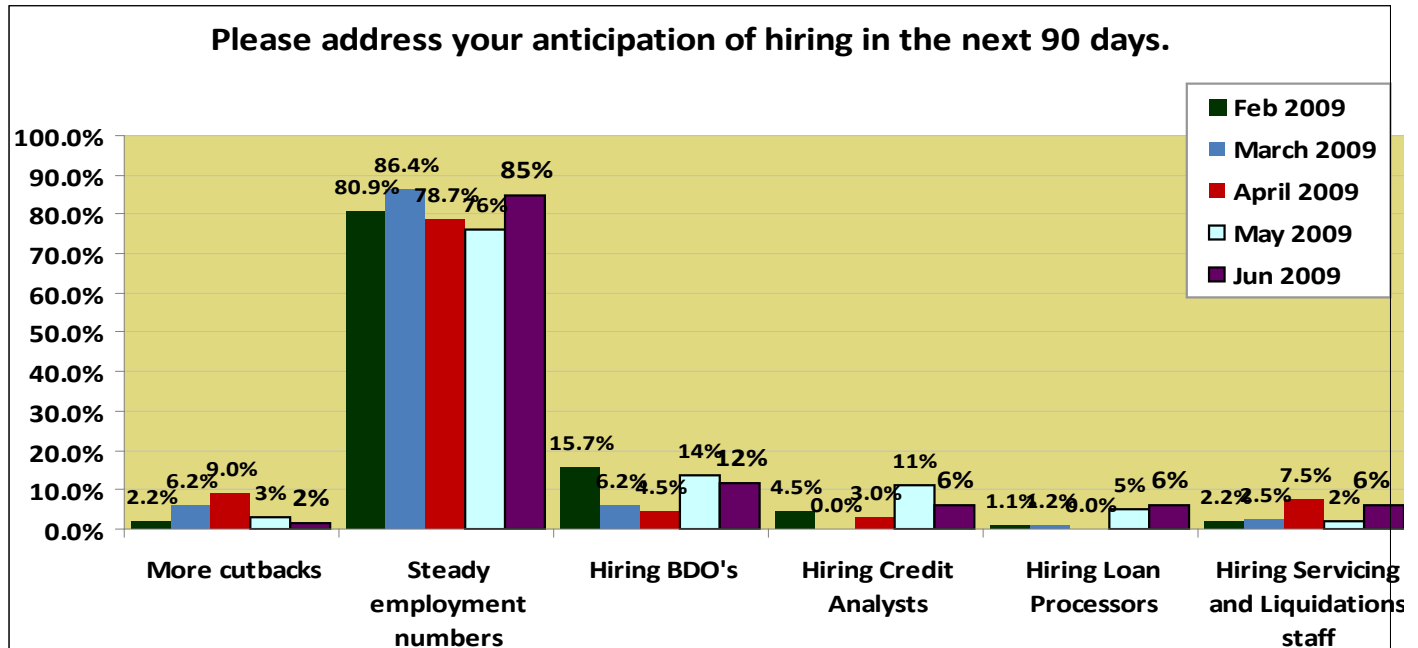


Last month's report stated that SBA lending is as much a business strategy as it is a loan product. With secondary market premiums continuing to climb from 106 in April to a reported 108 at the end of May (based on specific loan terms), it is apparent that lenders are applying this principle. Last week a prominent broker-dealer said that **"investors are coming back to the table and there simply is not enough supply."**

**Do the math: Selling 90% guaranty compared to 75% generates closer to 110 vs 108 premium.**

Investors have also taken advantage of TALF funds. In May, almost \$87mm was funded and the June request, which will fund later this month, is just over \$81mm.

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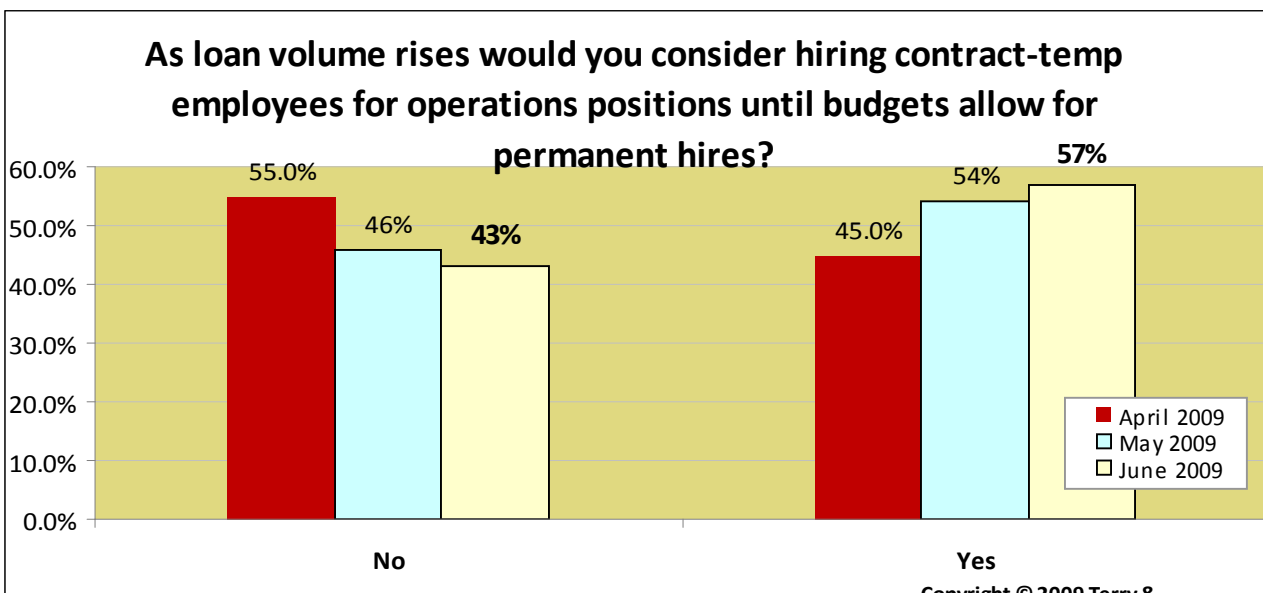


Less cutbacks – More hiring! Sounds good until you see that new employment is still marginal at best. Hiring freezes continue to be in place for many lenders. Others want to hire, but have continued concerns about availability of capital. So, “steady as you go” is the practice of most. However, the uptick in hiring continues to be encouraging. Cutbacks are still on the radar, but may be tied to lack of capital or worse.

New open positions are being posted each week, but these appear to be in geographic markets where talent is not in abundance. Relocation has become a bigger issue than one might think. A continued improvement in hiring can be anticipated but **strong employment growth does not appear to be happening in the third quarter of this year.**

**Meanwhile, with a new operating budget, the SBA is hiring more people than SBA lenders. At any given day, you will see more SBA government jobs than with private sector lenders. After eight years of major SBA budgetary and employment cutbacks, the SBA Agency is getting healthy again. (Side note: The SBA is rated by government employees as one of the best government jobs. What a turn-around!)**

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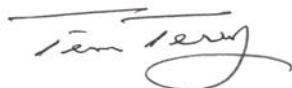


With the realization that this recovery may drag out over many months, temporary staffing is getting a closer look. And it certainly allows the company to get a closer look at the temp's capabilities. Recently, one of the temps working through Terry & Associates was hired as a direct result of the superior skills that this employee brought to the table. Hiring managers: this is food for thought!

## Summary

- Both current and the 90 day outlook for small business lending continues to be encouraging. Loan applications, loan approvals and dollar volumes are significantly up, as reported by all the SBA District Offices.
- The SBA stimulus policies continue to bolster lending activity. Many lenders are now advertising the SBA policy that "no SBA fees are charged to the borrower."
- The secondary market continues to improve with some loans being sold at over 108. Demand continues to grow. Supply is low but improving.
- SBA industry employment looks to make improvements over the next 90 days. However, do not expect a major employment recovery until next year.
- More department heads are looking to hire temporary / contract employees as loan volumes increase.

With a steady dose of encouraging news about the SBA and the influx of many new lenders offering SBA loans, will the SBA experience a "Renaissance" in 2009? That may, in fact, be what we are starting to see. It could not come at a better time.



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### **About Terry & Associates, Inc.**

Since 1992 Terry & Associates, Inc. has been providing executive search and consulting services to banks and non-banks who provide Small Business Administration (SBA) government guaranteed loans. The company has also set up new SBA lending departments for banks interested in the many incentives and market advantages that SBA lending can provide. Tim is also a frequent speaker on the SBA industry and has testified before Congress on behalf of small business lending.

Terry & Associates, Inc. is publishing a monthly survey report which offers a national perspective on the status of lending to the small business sector. For more information, contact Tim Terry at 940.381.6200 or tim@sbasearch.com.