

Strengthen Community Ties Through Member Business Lending

It starts with strong and consistent decisions. Follow these nine steps toward making good business lending decisions:

1. Conduct the initial interview and gather data.
 - ❑ Gather information from a business development officer or referral.
 - ❑ Document the interview for compliance. Examples of documentation include:
 - ✓ Intake documents
 - ✓ Write-up by loan officer
 - ✓ Commercial loan application
 - ❑ Maintain and interview outline, checklist, or worksheet.
2. Conduct a preliminary review.
 - ❑ Do the applicant and the request fit with your product line and within your target market?
 - ❑ You don't have to fit yourself to every application. Remember, a good business strategy is often targeted—you don't have to be all things for all people.
3. Conduct research.
 - ❑ Analyze The Risk Management Association (RMA) Statement studies, research packets, credit considerations, and Ementor, etcetera.
 - ❑ Read industry journals and join associations.
 - ❑ Consult other experts in your credit union or financial institution associates.
 - ❑ Use the Internet and library searches.
4. Conduct product and/or service analysis.
 - ❑ Review the product mix and customers.
 - ❑ Know your member's business.
5. Analyze the current economic environment.
 - ❑ Macro: National and regional influences on growth opportunities.
 - ❑ Micro: Local environment, such as industry growth, employment, and purchasing power.
6. Know the competitive environment.
 - ❑ Identify who competes and what market share each competitor owns.
 - ❑ Examine barriers to entry and competitive risks.
7. Create a business plan.
 - ❑ Are member plans and short- and long-term strategies documented?
 - ❑ Does the member's business historically perform against established business plans or set goals?
8. Assess management.
 - ❑ What are the management skills in the member's business? Are they broad or narrow and specialized in their capabilities? What is their knowledge of the industry?
 - ❑ What is their track record? Consider both their personal and business characteristics.

9. Conduct a financial performance assessment.
 - Consider historical and projected performance. Your objective is to assess the business's ability to repay historically and to project in the future. Techniques to do this include:
 - ✓ Uniform Credit Analysis (UCA) cash flow
 - ✓ Straight or modified cash flow analysis
 - ✓ Judgmental, scored or hybrid systems or methods
 - Various tools can assist your assessment:
 - ✓ Baker Hill STAN/*One Point*[®]
 - ✓ Moody's Financial Analyst[™]
 - ✓ *fisCAL*[®]
 - ✓ RMA Compare
 - ✓ Buker's TaxAnalysis
 - ✓ Excel

Learn more about member business lending at www.harlandfinancialsolutions.com/creditunion/ where you can review our complete member business lending overview and learn about Laser Pro[®], the leading business lending solution for financial institutions.