

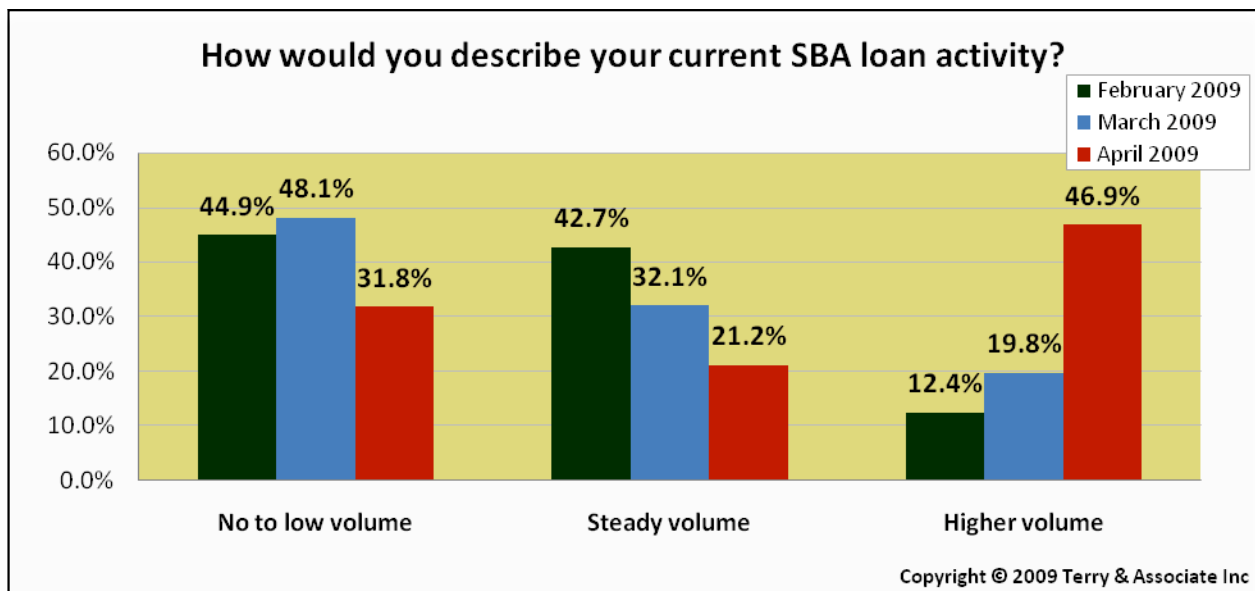
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Lender's Reporting Higher SBA Loan Volume More Than Doubles in March

Small Business Lender Sentiment Survey
On Lending and Employment
April 2, 2009



SUMMARY of FINDINGS

This is our third monthly survey. Positive trends in lending are clearly seen. The charts included in this report appear to show that a “bottom” has been hit and a recovery may be just around the corner. **It is safe to say that the SBA Stimulus “ARRA” is working!** The second fiscal quarter should continue to build a strong bottom and, in turn, allow for strong loan growth in the second half of this year. This is all conditional on continued improvement in quality loan demand and strengthening of the Secondary Market.

We also see in this report a significant improvement in the secondary market. While there were **NO TAKERS of TALF** by investors on March 25th, pricing has seen a sizeable jump to over 105. So, investors are not waiting on TALF, TARP or the SBA.

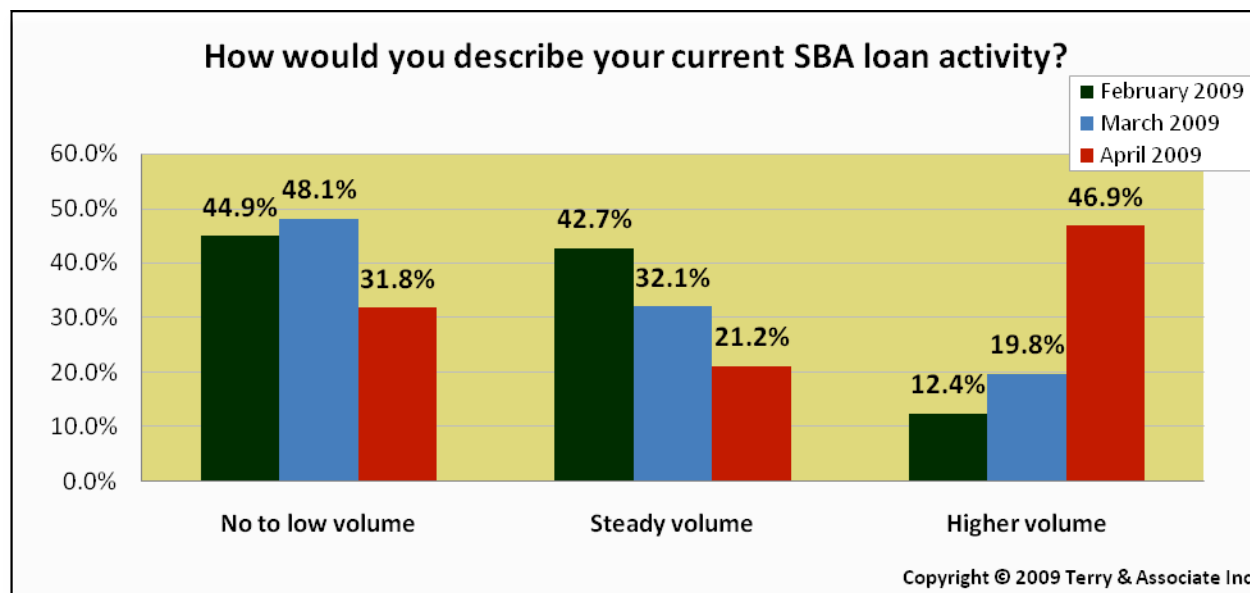
It is also encouraging to see the SBA lending community returning to more traditional SBA loans for new start ups, franchises, change of ownerships and equipment. However, the most encouraging sign may very well be the resiliency and tenacity of the small business customer who refuses to accept “no” to his loan request. It has been said many times that small business is the “economic engine” that drives growth and new employment in America. If this is true, then small business lenders must continue to find profitable ways to fuel this engine.

To help the many displaced SBA professionals, we launched on April 1, a new Contract Employee program. This service has never been offered in the SBA lending industry until now. This will allow hiring managers who have no budget for full time hires, to have competent and experienced help on a temporary basis.

During the first week of May, the National Association of Government Guaranteed Lenders (NAGGL) meets in Boston for their mid year national conference. There may never be a more important time to attend a NAGGL event. News on the SBA seems to break each day. With this news comes new opportunity. The new SBA Administrator will be the featured speaker. A representative from the Fed and the Treasury should also be in attendance with the latest details on TALF and TARP actions. If you are not signed up yet, go to www.naggl.org and do so before April 10th for early registration. Budgets are tight, but this is an event you can't afford to miss.

Never has SBA had so much national exposure. Not since Eisenhower started the SBA in 1957 has a sitting President given so much attention to the SBA and small business. The resurgence of the SBA under the Obama Administration may just lead to a new renaissance for small business and lenders alike.

Here are the details from this months survey result from the top SBA lending departments in the Nation.



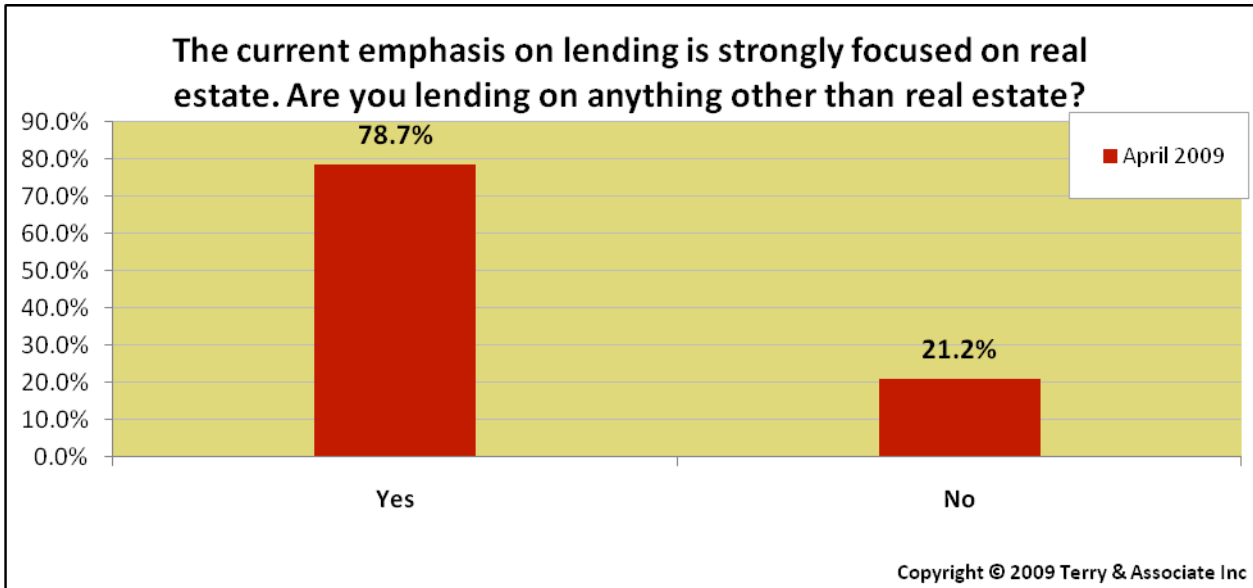
For the second month running SBA lenders are reporting that their SBA loan volume is significant higher. This month those lenders who reported higher loan volume more than doubled going from 19.8% to 46.9%. The chart above clearly shows that more lenders are coming off the sidelines and are pursuing loans again.

This is largely due to the elimination of fees paid by the loan customer and to some extent the higher 90% guarantee. On April 1 at the hearing for the new SBA Administrator, Karen Mills, she reported that \$1.4 Billion in SBA loans have been approved under the new stimulus policies. (Obviously, many loan closings were delayed in order to take advantage of the elimination of fees.) The secondary market has also shown sizeable improvement with some loans being sold this week at slightly over 105 (almost twice what you would get 30 days ago). This leads us to believe that we may have hit bottom and are moving towards an industry recovery.

This data clearly shows that there is rising demand from the small business sector. For many months, lenders have shown concern that new demand would be countered by lack of quality loan applications.

While credit does remain tight, it is encouraging to see that the new demand is coming in as high quality and deserving of the credit risk.

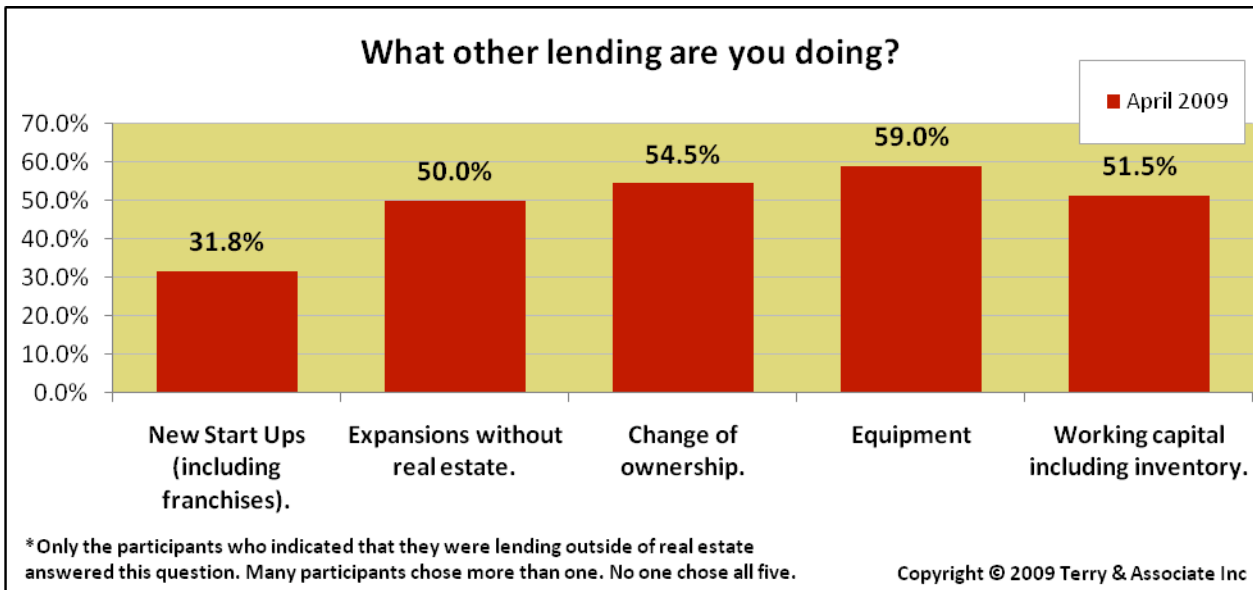
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Since early in 2007, it has been widely known that small business lending has targeted fully collateralized loans, which for the most part has meant real estate backed lending. We had received requests from lenders and brokers to ask if lenders were at a point that they would consider more traditional SBA loans that typically are not fully secured. These include change of ownership, new business start ups including franchises, business expansions, equipment and working capital loans. We are surprised to discover that 79% of surveyed lenders were doing these types of loans.

In further discussions with lenders, these loans still represent a small portion of their total lending. Real estate secured loans are still the mainstay of most lending. Credit is also tighter for under collateralized loans. Never the less, there is a clear signal that most lenders are opening the credit box to more traditional SBA loans.

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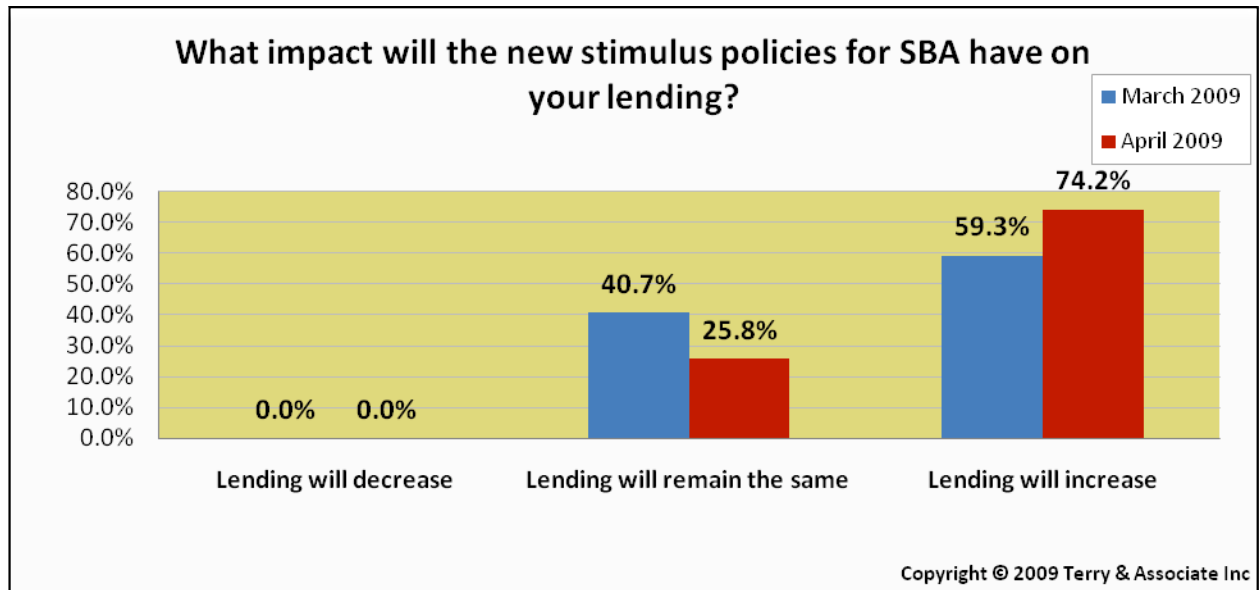


Virtually everyone surveyed reported that they would lend in more than one of the categories above. No lender chose all five categories. It is important to note, as stated above, that while loans are being

made in these categories, the credit requirements are still very tight and these loans represent a small portion of the total loans being made.

The encouraging sign is the resilient entrepreneur, who in spite of the economy, is attempting to move forward and grow their small business or start new ones. Is it any wonder why small business continues to be the regarded as the engine that drives the economy and new employment!

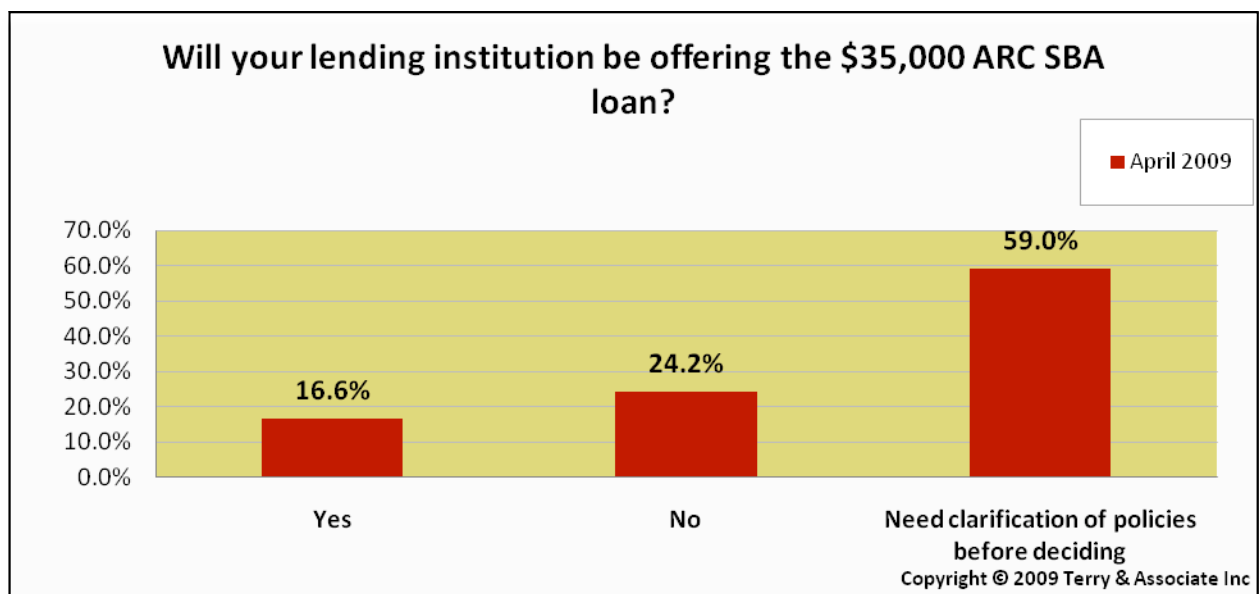
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The increase in lending, as dramatically detailed in the first chart above, is further support for the positive effect of the SBA stimulus policies known now as the American Reinvestment and Recovery Act (ARRA). This specifically includes the temporary elimination of fees paid by the customer and the improved loan guarantee up to 90% for 7(a) loans.

Once again the chart above shows that lenders are taking advantage of the ARRA policies, getting off the sidelines and increasing their lending activity with a huge increase of 14.9% over last month.

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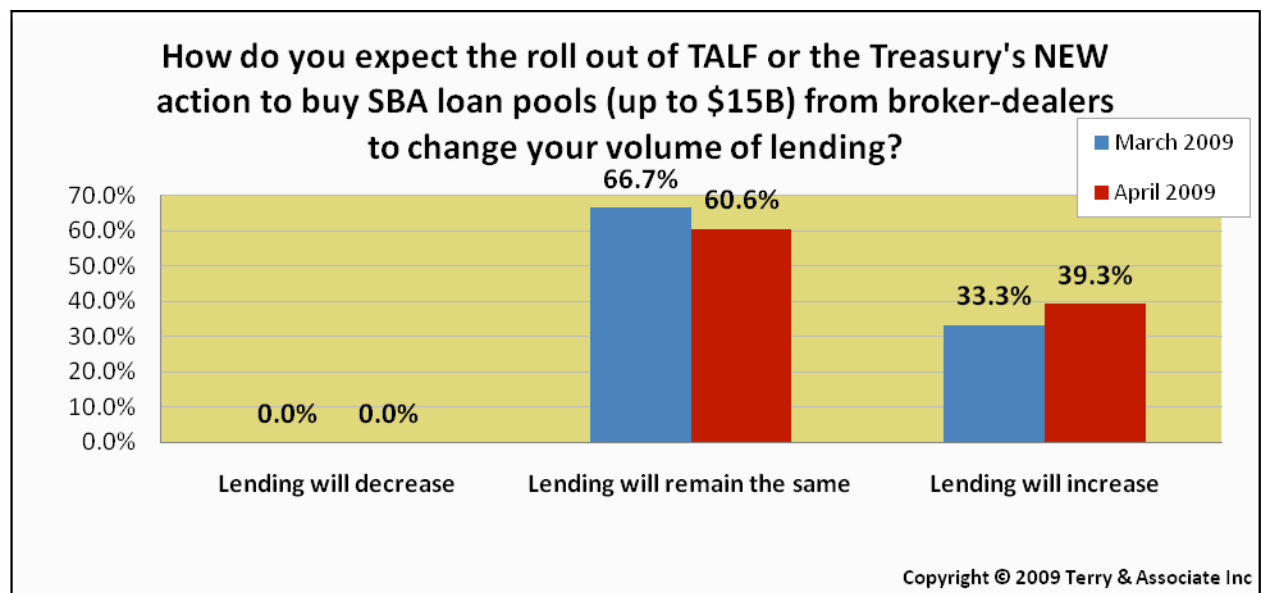
The Obama administration is excited about their new program now called American Recovery Capital, (ARC). As seen in the chart above, lenders do not share the same enthusiasm. With 59% of

respondents needing to see the actual policies and guidelines which have not been published, there could still be good news ahead for this program.

The opposition to ARC comes in the lenders' concern that when the loan goes bad, the lending institution will be challenged to justify the degree to which they went to protect the interest of the tax payer. A criticized loan not only would lead to a denial of the SBA Guaranty, but add negatively to the overall evaluation of the bank's performance in doing SBA lending. Obviously, no one wants this, including the SBA.

It is hoped that a document is forthcoming from the SBA, similar to a PLP qualifier that would allow for consistent qualifications for loan approvals. A document such as this would go a long way toward shoring up lender concerns, providing consistent loan evaluations during annual loan reviews, and addressing apprehensions about submissions to Herndon for guaranty payment. In turn, this would lead to much wider lender participation.

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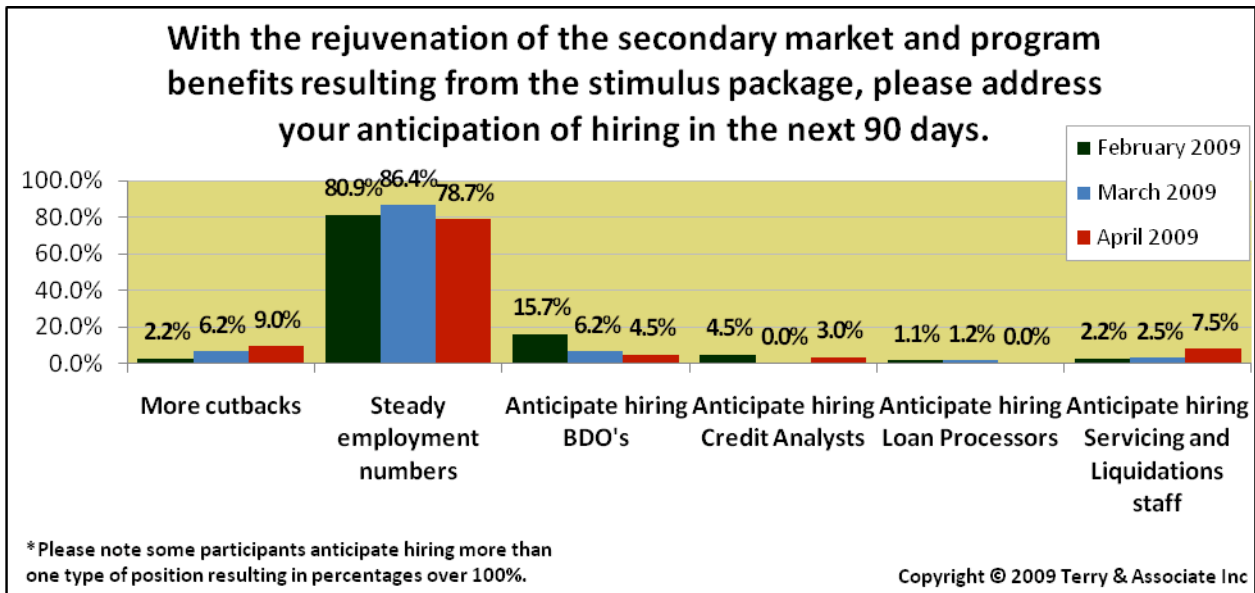


There are three separate government plans in place that were intended to thaw out the very important Secondary Market. These include plans under TARP, TALF and the SBA. It appears that most lenders (60.6%) do not expect any of these plans to have a significant impact immediately. It would be nice to think that increased lending would make these programs irrelevant. The simple truth is that true recovery in this industry will not occur without a healthy Secondary Market.

Each of these plans have specific barriers keeping investors and broker-dealers away from the table. There is hope, as shown by 39.3% of respondents, that these barriers will be eliminated and the programs given a chance to work. The challenge is time. TARP was announced prior to Thanksgiving last year. The first TARP funds made available to investors occurred March 25th. *There was not a single dollar funded for SBA loan purchases.*

While we wait for the government to agree to fix these barriers, it appears that the Secondary Market may be fixing itself. Just this week it was reported that some loan sales were made at slightly over 105. While this is a good sign and the preferred answer, it is paramount that the government initiatives be fixed and fully implementable if the Secondary Market is truly to be unfrozen.

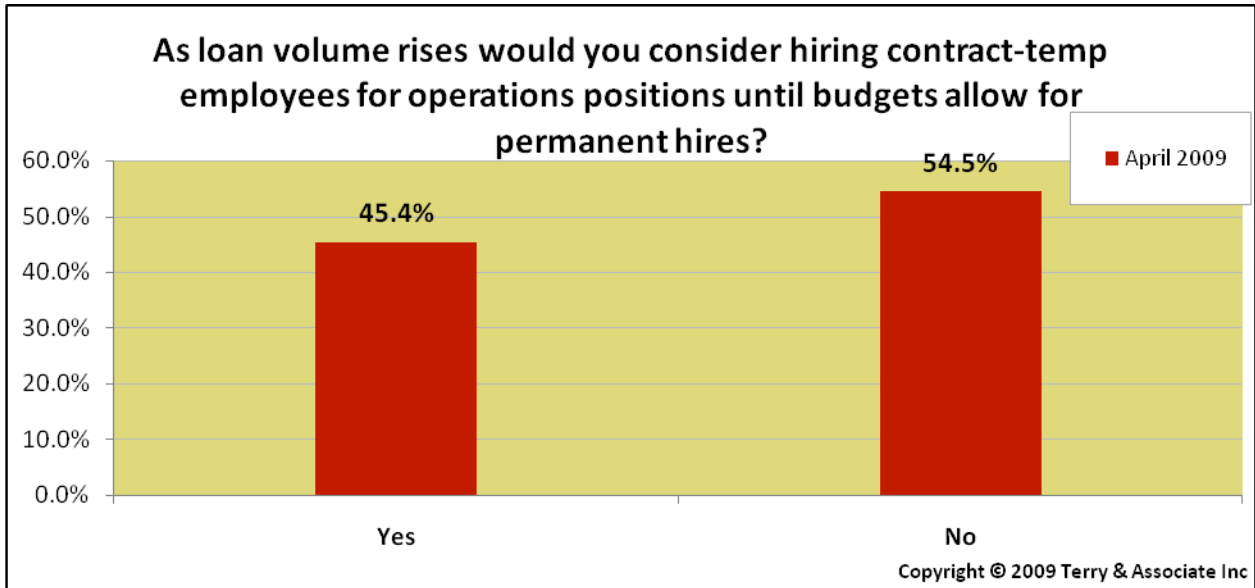
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The sizeable layoffs and SBA department shutdowns have been well documented. While further tightening of the belt with more layoffs appears to be in play (i.e. Community West), there is good news concerning employment. For the third survey in a row, employment appears to be solidified. A few more cutbacks are expected in the next 90 days, but there is a definite uptick in new hires. The net effect of cutbacks with new hires is a positive 6%. This is up from 3.7% in March.

SBA departments appear to be able to handle current increases in loan requests. The truth is both credit and loan processors are working harder and more hours than anytime in the last 6 months. Adding people and additional overhead is not in the cards without a corresponding improvement in departmental profitability.

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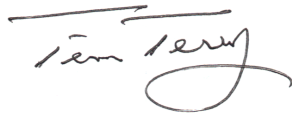


As you may know by now, Terry & Associates has just begun to offer SBA contract employees along with permanent SBA Jobs placement. This is an industry first. And, based on the chart above, there may be some takers. These individuals would actually work for our affiliate company and be assigned to work at your location. The service provides substantial liability insurance for you and health insurance benefits for the contract employee. It is an ideal way to cover your operational short term needs until operational budgets allow for hiring of permanent staff.

This may sound like an advertisement for our company. It is really an attempt to help some of the many unemployed SBA professionals get back to work. Unfortunately, the industry will lose many of these trained and experienced professionals as they exit the industry in an attempt to start new employment.

It is our sincere hope that many outstanding SBA professionals will find temporary employment while waiting for the industry to achieve a robust recovery.

The purpose of these surveys is to gain an understanding of where the SBA lending industry stands in relationship to a sustained recovery. The April findings are certainly encouraging but do not suggest a full recovery. I am really looking forward to doing the May Survey. The results from that survey should verify if we have hit bottom. Any increase in lending could also provide a positive trend toward a sustained recovery.

A handwritten signature in black ink that reads "Tim Terry". The signature is written in a cursive style with a large, looping flourish at the end.

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