

Terry & Associates, Inc.

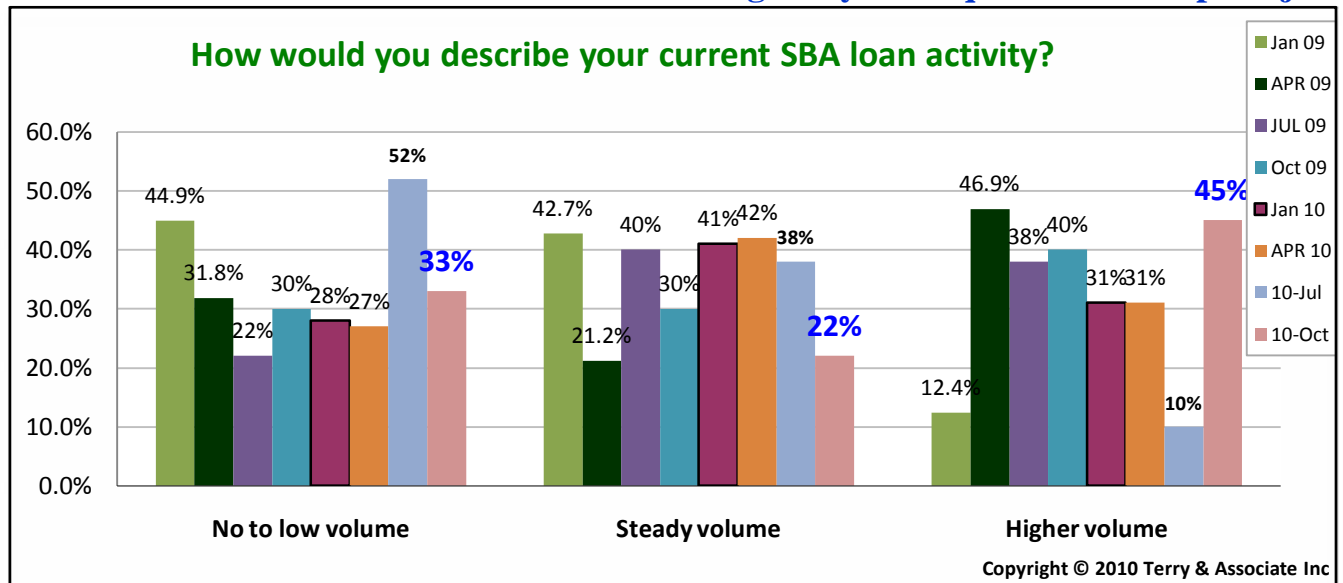
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Small Business Lender Sentiment Survey On Lending and Employment Fourth Quarter 2010

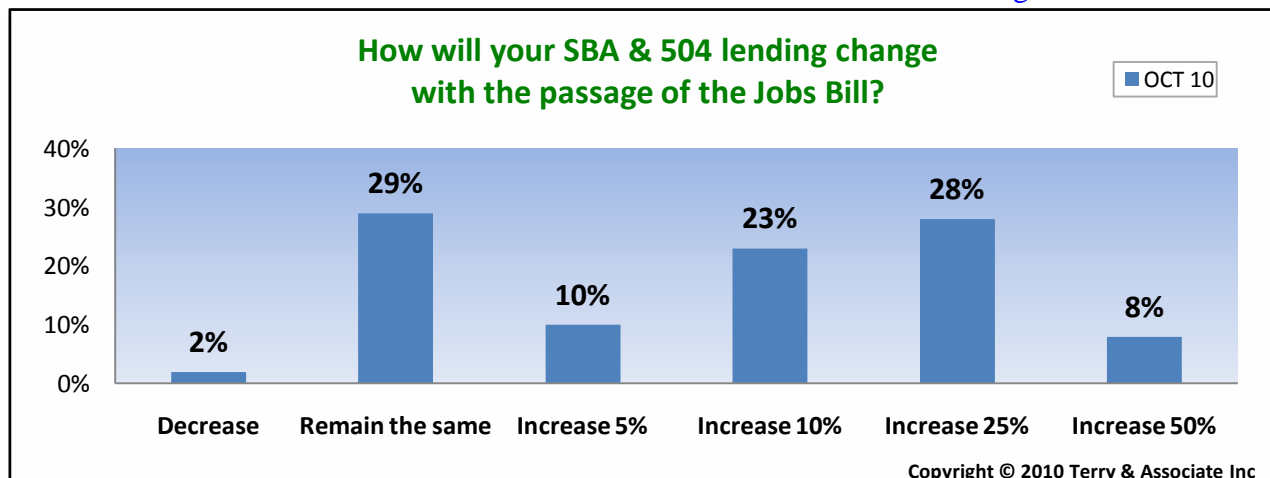
In this issue:

- **Lenders show dramatic impact of Congressional Jobs Bill.**
- **SBA bank jobs increase in fourth quarter over 275%.**
- **Value of 90% Guaranty can not be underestimated.**
- **Three month extension of stimulus grossly inadequate to accomplish job.**



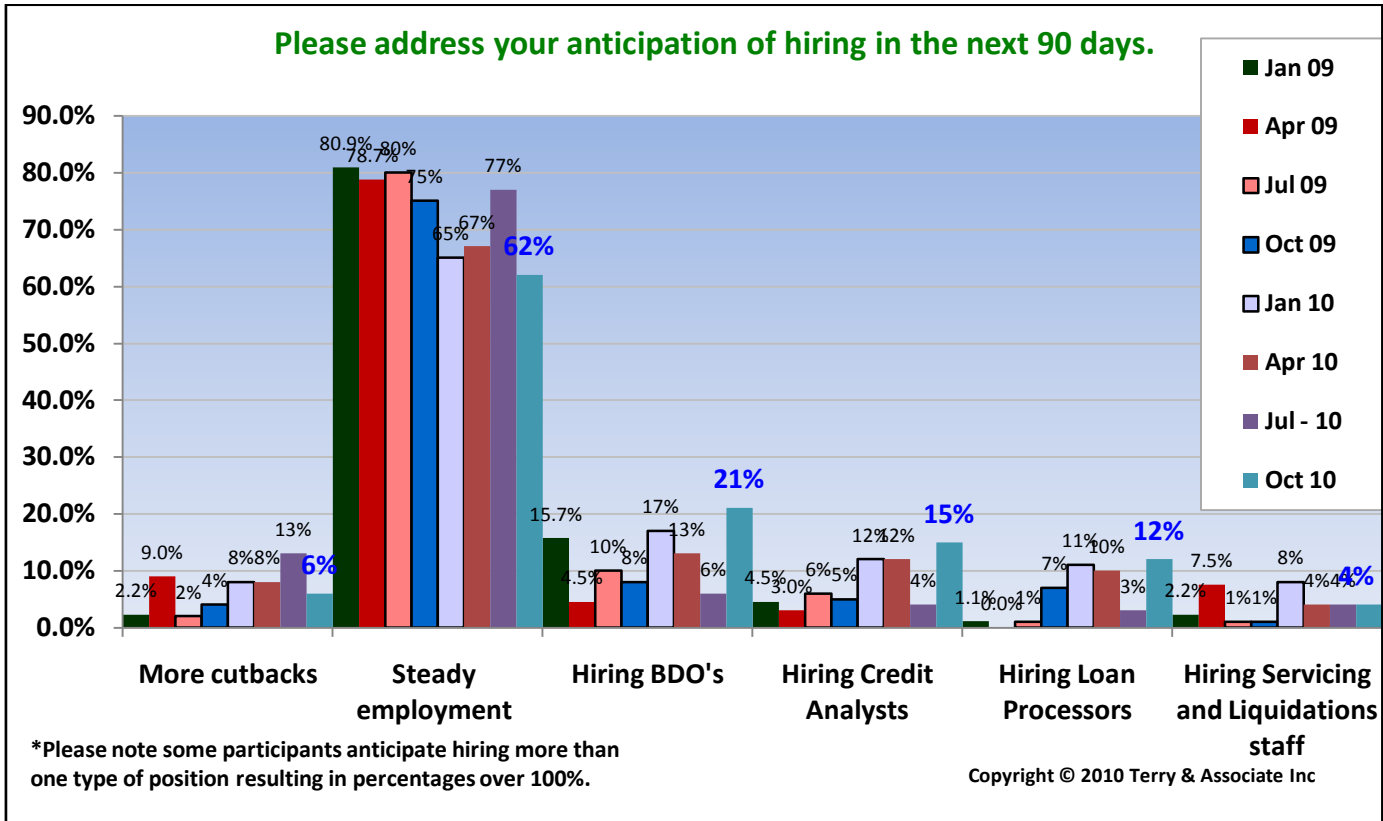
So just how important was the passage of the Small Business Jobs Bill? To no lender's surprise, it was HUGE! After the 90% guaranty appropriation ran out in late May, lending just about came to a complete stop. It created a very long summer while waiting on Congress to act. However, with the new legislation, the chart above shows the largest surge in lending since the original stimulus was past in February 2009.

This is no fluke. Just look at the chart below to see [the true value of this new legislation.](#)



And then take a look below to see the impact of this legislation on SBA bank hiring. We are seeing huge spikes in hiring of BDO's (up 250%) along with credit analysts (up 275%) and loan processors (up 300%).

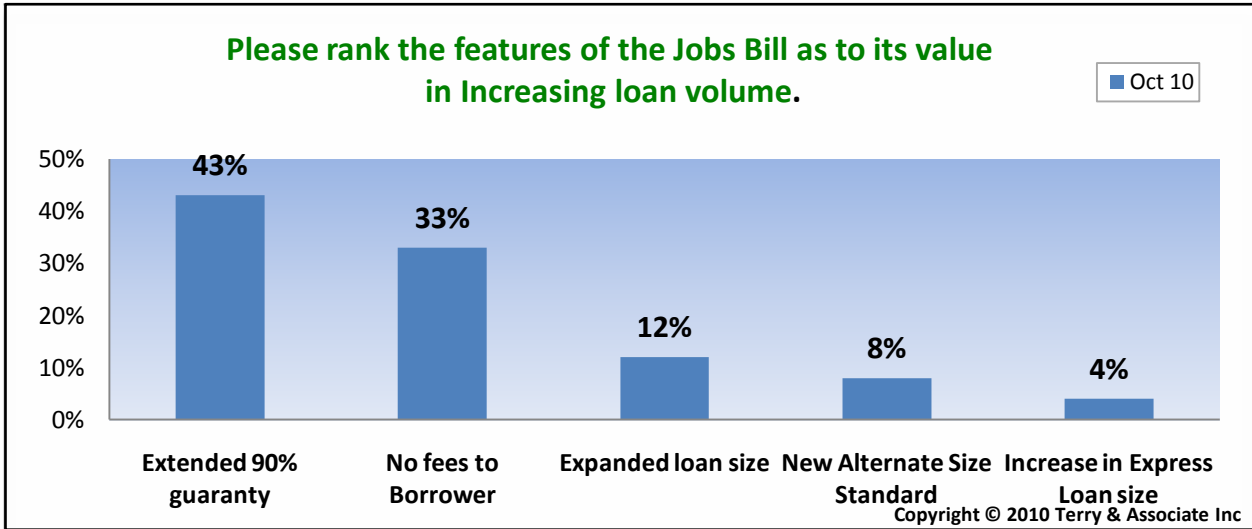
There is no better place for the "Jobs Bill" to have an initial positive impact than in SBA Lending Jobs!



SBA lender employment took an estimated 40% cut, between October 08 and March 09. During that time, many departments disbanded taking the excellent people along with all the others. Now that hiring is picking up, the most talented will find employment. But, it will likely be years, if ever, for this industry to see 07 employment levels.

Terry & Associates has received many new requests for job placements since the passage of this legislation. It is apparent that hiring managers may have a few new jobs. However, these hiring managers are being very picky and rightfully so. This means that finding the best people is much harder than might be imagined despite the significant past layoffs.

The unfortunate aspect is seeing that more cutbacks are in the works, indicating that there are still banks that may not make it through the recovery.

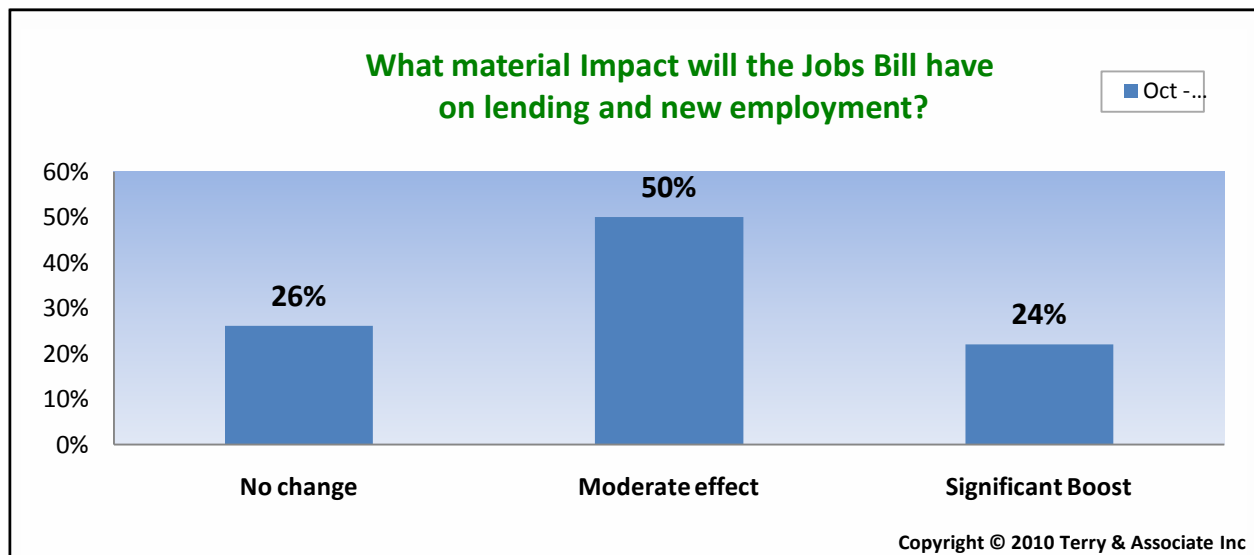


When asked to score the value of the features of the “Jobs Bill”, it is clear that SBA lenders need the 90% guaranty. The challenges of the past two years, coupled with the uncertainty of the next few years, may make underwriting new loans to small business the toughest since the SBA program began over 50 years ago. Weak past performance along with sensitivity analysis required to factor inevitable rises in interest rates means [the 90% guaranty is essential if there is to be a significant increase in loan volume.](#)

“No fees to the borrower” is a great marketing incentive. It should serve the purpose of bringing in more deals. Lenders quickly recognize the value of this important feature of the legislation.

With such a small time period (until the end of this calendar year) to utilize these incentives, the fourth quarter loan numbers should be huge. But, if Congress wanted to truly stimulate lending to small business and create new jobs, [a simple 3 months extension is absolutely not long enough.](#)

The new loan size could very well bring a brand new dimension to SBA lending. Entirely new industries with lending needs beyond the \$2 million loan size are sure to surface and will benefit from this adjustment. It is also these very industries that would be expected to add significant numbers of new jobs. This leads to asking SBA lending managers what they think the impact of the new legislation will be on lending and new job creation:



Looking at the chart above, 26% of respondents remain negative. (These respondents must have been from credit department heads). The chart does support that [there is more optimism in small business lending](#) than in any period within the last 2 year history of this survey report. A combined 74% of respondents revealed an optimistic perspective on this vital legislation. It has been a very long two years and most lenders recognize that the economy is a long way from anything called “normal”. One thing for sure, SBA lending is on the rise and new employment in small business banking is at an 8 quarter high.

Summary

- Extending the 90% guaranty and no fees to the borrower for three months are simply inadequate measures if the objective is to truly kick start small business lending. [It seems that Congress and proponents of the legislation knew 3 months would be too short, but were unwilling to push for any changes, fearing that it would take longer to get past.](#) And, true to form, many additional new spending programs were “attached” that had absolutely nothing to do with small business. It is a shame Congress let the incentives come to a halt in June and did not get it started again until October. **Why not give back those 4 lost months!** With an expected Congressional shake up in November and the need to focus on continuing the Bush tax cuts, nothing is going to happen that will extend these lending incentives prior to them running out again. That leaves us waiting until January to find out if lending will come to another grinding halt, God forbid.

- A significant number of new small business bankers are being hired. As reported above, expect to see close to a 300% increase over any period of the past 8 quarters. Even Bank of America announced last week their plan to hire 1,000 new small business bankers.
- NAGGL and other proponents have long been requesting a larger loan size and size standard. It took an economic crisis to get Congressional action. And even then, it almost did not happen. These changes have elevated the game and should bring SBA lending into a new era.
- The SBA continues to remain by far the most effective “private – public” government program ever created as measured by cost to the taxpayer in creating new employment and new tax revenue. Not since 2007, have we seen a majority of small business lenders this optimistic about going into a new year.



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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 quarterly 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.