

Sound Credit Union

- **Your credit union's history in commercial lending**

We currently have approximately \$58 million in outstanding member business loans and that number is steadily increasing. Most of our outstanding loan portfolio has been a result of a merger in 2012 with Seattle-based Watermark Credit Union. We had been making business loans since 2006 and have recently hired an 11-year credit union and bank business lending veteran as our VP of Business Lending to manage the department.

- **Your individual years of experience in commercial lending**

The VP/Chief Business Services Officer has 11 years of commercial lending experience. He formerly worked for a business lending CUSO as the SVP/COO and oversaw all loan production. During his time there, he assisted credit unions across the nation make thousands of commercial loans lending billions of dollars to small businesses for expansion, debt recapitalization, new projects, asset-based lines of credit, unsecured working capital loans, SBA loans, USDA loans, etc.

The VP Business Lending has also been in the industry for the past 11 years in loan origination (SBA, CRE, C&I, and construction) as a loan officer as well as working on special assets, work-out situations and other portfolio administration functions for a \$4.5 billion credit union and several community banks.

- **Provide details on your credit union's underwriting standards and the type of business loans you underwrite**

The fundamental criteria that illustrate our business loan evaluation philosophy include management, cash flow, collateral, industry trends, leverage and equity, liquidity, profitability, payment performance/credit history and quality of financial information. We utilize a minimum 1.25x DSCR on income producing properties, follow the SBA's criteria of 1.15x where applicable and perform analysis on guarantors for a global cash flow analysis as well. We also have required a personal guaranty for a majority ownership in the business and utilize an advance rate to determine collateral value for both real property as well as personal property. Further, we perform break-even analyses, stress test revenue, expenses, vacancy rates, interest rates and other meaningful measures depending upon the loan and business.

- **Provide specific examples of success stories - entrepreneurs that you have helped who would not have been able to get the funding they needed elsewhere**

We have recently originated four separate SBA loans within the last few two months to new businesses or businesses that are expanding that we've been able to leverage the SBA 7(a) loan program to overcome the length of time in business concern, the type of collateral available to secure the loan or the overall risk profile of the borrower. In each of these cases, the borrowers credited Sound Credit Union as the financial partner that was able to help their dreams come true.

- **Share specific examples of business loans that you have not been able to fund due to regulatory barriers or an uneven playing field**

Not applicable at this point as our portfolio is still in its growth mode. Loans that we have not been able to fund have mostly been due to internal requirements (self-imposed caps, trade area, guarantor requirements (we currently do not entertain non-recourse financing, but may in the future in the event the proposed loan meets some very conservative underwriting requirements for cash flow, LTV and equity)); however, we recognize the limitations that we would be facing in the event we were near a regulatory cap.