

Five Ways to Ramp Up Fee Income

A White Paper for Community Credit
Unions

By Tim Thomas
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FIVE WAYS TO RAMP UP FEE INCOME AND GROW NEW PRODUCT LINES

The race is on in 2010 for winning and retaining profitable members and for finding new sources of non-interest income to replace what is being taken away through regulation, and through the failure of US Central and much of the corporate credit system. It's time to look at adjusting your portfolio – particularly commercial real estate, and some MBS, and riskier consumer credit exposure – to achieve regulatory compliance – all while cutting costs.

So it's time to look at opportunities for outside income – while offering seamless service to your clients. *This paper will focus on opportunity which may exist outside of the credit union service organizations (CUSOs) with which you are familiar. Some of the services may in fact be offered through a CUSO, of course – it's up to you to select the very best, and most competent, provider.*

It's true that you can actually add profitable products and services without adding any credit exposure, or expanding staff, or taxing scarce capital. You'll get some great ideas in the next few pages. And we'll tell you whom to contact to move forward and get all the details. ***Take what you need and leave the rest!***

Plan 1: Add Wealth Management and Financial Planning Services. Wealth management is very much in demand these days as the population ages and as your members undergo life changing events. You don't have to hire expensive talent to provide these services from some of the best the very best in the Country. And the Credit union can share in the fees.

Plan 2: Add SBA 504, USDA and 7A Lending (but sell the whole loan and transfer the risk). Suppose you could offer your members SBA 7A–without taking or retaining any risk to your own loan portfolio? Suppose you utilized the SBA program as a means of generating significant fee income – up to 2% on each loan -- without having to worry about SBA processes, internal staffing, or secondary market gain on sale accounting and the uncertainties of FASB 166? And you can add the SBA 504 Program – but sell the first lien. The secondary market is “back” at least through 2011 and you can originate SBA 504 first mortgages for businesses that want to expand – or build – or renovate – or buy a commercial building. We'll tell you how to keep the fee – and sell the risk instead of retaining the 504 first lien on your books.

Plan 3: Add Working Capital Lines for Small and Midsized Businesses – off balance sheet. Suppose you could offer standard WORKING CAPITAL LINES for small and midsized businesses and assign those credits to a third party and receive a fee of 80 basis points per annum on out standings? We'll show you how and tell you about the product in some detail in this paper. Why refer them to a bank?

Plan 4: Add a first class residential origination program but avoid the risks of mortgage banking Residential mortgage originations don't have to be a complex, risky internal credit union function. Our white paper will

show you how to outsource legally and professionally for a steady income stream and satisfied clients.

Plan 5: Add a Small Balance Multifamily Lending Program.

The apartment market is doing well in all but the most distressed job markets in the country. We'll introduce you to a wholesaler through whom you can capitalize – without owning any credit risk or inflating your commercial real estate mortgage portfolio.

PLAN 1: WEALTH MANAGEMENT WITH JANICZEK AND COMPANY'S NEW AMBASSADOR PROGRAM

Typically, wealth management is handled, if at all, by a subsidiary of a regional or national bank, or a large “wire house,” like Fidelity, are one of a thousand registered investment advisors who work through clearing brokers like LPL and Securities America. For example, CoBiz Financial, Inc., of Denver offers high end estate planning, wealth transfer and wealth management under its Financial Designs Ltd. subsidiary. Because of the complexity of high end client needs and tax matters, FDL itself is a member of M Financial Group, an exclusive “advisors advisor” serving its member firms by developing products to serve the high end client.

Fortunately, community credit unions do not need to create a holding company subsidiary, and do not need to refer their clients to a bank to offer fiduciary, fee-based wealth management. Joseph Janiczek, a nationally recognized author and registered, fee-based financial advisor, has created a fee sharing program for credit unions that enables them to offer comprehensive investment and wealth management Services—*with no additional overhead expenses—yet create an ongoing revenue stream.*

Janiczek's company, Janiczek & Company, Ltd., received the 2009 “Five Star” rating for high net worth client satisfaction from Crescendo Business Services, a client research firm, in their annual survey of 74,000 high net worth subscribers of Colorado Biz and 5280 magazines. Janiczek was named one of the Nation's top 250 financial advisors by Worth magazine in October, 2008 and was honored as one of the Nation's most exclusive wealth advisors in Worth magazine, October, 2004.

Janiczek & Company Ltd. Is a Registered Investment Advisor (RIA) under FINRA and is headquartered in Greenwood Village, Colorado.

There are 4.7 million households who have investable assets of \$1 million or more. Community credit unions typically have at least a few members who fall into this high net worth investor segment. In fact, they may be among the credit union's best members. And as we all learned in Customer Service 101, the more “touch points” we have with the member, the more cross sales, the higher our retention and the greater our profitability.

High-end clients want unbiased advice and have more advanced investment, financial, retirement and estate planning and management

needs than are provided by most community credit unions. Or banks, for that matter. They frequently have advisors outside the credit union.

Rather than create a FINRA-regulated advisory service within the Credit union, you can now contract with an outside provider. Janiczek & Company, Ltd., is a fee-only, fiduciary wealth management organization named among the top, best and most exclusive in the nation multiple times. Janiczek created the Wealth with Ease® System to provide a simple wealth management solution to high net worth investors.

Founder Joseph Janiczek's latest book, **Investing from a Position of Strength** (Prosperity Press), makes a compelling case for the logic behind the firm's approach. *For a complimentary copy of the book, go to www.janiczek.com/freebook/Isaak*. Through the Janiczek & Company Ambassador Program, your credit union's members can receive expert investment and wealth management services all packaged into one of three streamlined solutions:

- (1) The Complete Wealth Solution™ offers investment management coupled with comprehensive financial, retirement and estate planning
- (2) The Complete Legacy Solution™ offers everything in Complete Wealth Solution for head of family plus coaching and financial education of adult children so they are prepared for a sizable inheritance one day, and
- (3) The Complete Investment Solution™ which is an investment management program only for trusts, retirement accounts and established retirement vehicles where other wealth management type services are not needed.

Janiczek and his team of legal experts drafted and screened Ambassador Network™ structure and documents so that credit unions can join without regulatory issues. As an Ambassador, your credit union acts as an advocate for members needing high net worth investment and wealth management services and receives an ongoing share of fees for this role for making the introduction and serving in the capacity as an advocate for the member. The Ambassador Network is a low cost and effective way of offering these services, maintaining cross sell relationships and increasing credit union revenues in the process.

For more information, go to www.janiczek.com/AmbassadorCandidate or email request@janiczek.com.

PLAN 2: ADDING A SBA CAPABILITY WITHOUT PORTFOLIO EXPOSURE

There are a dozen or so CUSOs who provide SBA origination services with varying degrees of expertise. Outside of the CUSOs, there are a handful of credit companies who act as wholesalers in the SBA-USDA channel. In this paper we will introduce you to Midwest Business Capital, a division of United Midwest Savings Bank of Columbus, Ohio. Midwest is looking for community credit unions to partner with them as correspondents and enter the profitable SBA-USDA loan origination field. For credit unions, the portfolio exposure is zero because you originate the whole loan either on a brokered or table funded basis. The non-interest earnings are lower than you'd have if you retained the risky 10 – 25% uninsured portion of the loan – but they are nonetheless substantial – up to 2% in premiums on a USDA or SBA 7A loan and 1% on the SBA 504 first lien. United Midwest is approaching this as a balance sheet lender and has the capacity to grow assets while giving their partner community credit unions the room to make other kinds of loans.

Plan 2 Part 1: SBA 7(A)

The SBA 7(a) loan program provides financing to expand, acquire or start a small business and is based on several factors, including the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. Projects are secured by a 1st Deed of Trust/Mortgage on General and Special Purpose commercial real estate, meeting SBA qualifications, having a maximum Loan to Value of 90%, depending on program parameters. Each SBA lender has a set of guidelines of their own, although all follow the SBA's underwriting parameters which are found in the SOP 5010B (Standard Operating Procedures Bulletin 5010B) on <http://www.SBA.gov>.

The program features below apply only to Midwest Business Capital's wholesale program. For training, forms and more details contact Jason Charles (jason@horizon-west.com, telephone 801-214-6151). Jason's firm, Horizon West, is the authorized wholesale loan production office and credit union channel manager for United Midwest.

Typical Project Structure:

- 75% to 90% LTV 1st DOT/Mortgage
- 10% to 25% Equity Injection

SBA 7(a) Eligible Use of Proceeds:

- To purchase land or buildings, to cover new construction as well as expansion or conversion of existing facilities.
- To acquire equipment, machinery, furniture, fixtures, supplies, or materials.
- For long-term working capital, including the payment of accounts payable and/or for the purchase of inventory.
- To refinance existing business indebtedness that is not already structured with reasonable terms and conditions.
- For short-term working capital needs, including seasonal financing, contract performance, construction financing, export production, and for financing against existing inventory and receivable under special conditions.

- To purchase an existing business.

SBA 7(a) Ineligible Use of Proceeds:

- To effect a partial change of business ownership or a change that will not benefit the business.
- To permit the reimbursement of funds owed to any owner, including any equity injection or injection of capital for the business's continuance until the loan supported by SBA is disbursed.
- To repay delinquent state or federal withholding taxes or other funds that should be held in trust or escrow.

7(a) Rates/Fees:

- Interest rates are generally adjustable based loans, tied to the Prime Index. Maturities up to 25 years are available, based upon the use of funds. Fees are based on the total loan request and calculated on the guaranteed portion of the loan.

Eligible Property Types:

- **Office:** Professional, Condominium, Medical, Dental and Veterinarian.
- **Industrial:** Heavy and Light Manufacturing, Warehouse and R&D Flex.
- **Retail:** General.
- **Special Purpose:** Assisted Living Facilities / Adult Care, Day Care Facilities, Restaurants, Funeral Homes and Hotels/Motels.

Maximum Loan Amount:

- 1st DOT/Mortgage – \$2,000,000. May increase to \$5,000,000.

Rate Option:

- Prime Based Quarterly Adjustable.

Maturity and Amortization:

- Real estate – Up to 25 Years
 - Business acquisition – Up to 10 Years
 - Equipment acquisition – Up to 10 Years
 - Debt refinancing – 7 to 10 Years
 - Permanent working capital – Up to 7 Years
- **Blended Maturity and Amortization applicable.

Maximum LTV:

- Real estate – Up to 90% LTV

- Business acquisition – Up to 80% LTC
- Equipment acquisition, Permanent working capital & debt refinancing up to 100% LTC fully collateralized.

Minimum Debt Coverage Ratio:

- 1.25x Minimum Debt Coverage Ratio (“DCR”) for the most recent FYE and Interim period. The DCR will be based on the underwritten EBITDA of the Small Business Concern.

Occupancy:

- 51% or greater must be occupied by the Small Business Concern.

Borrower /Guarantor Characteristics:

- Prior Ownership and Management Experience.
- Minimum FICO 665.

Recourse:

- All loans are Full Recourse and require the personal guarantee of any and all individuals or entities holding 20% ownership interest or more.

Construction Financing:

- Available for Multi Purpose Projects.



RATE SHEET AND PRODUCT SUMMARY

INDEX AVERAGES FOR THE WEEK OF AUGUST 30, 2010				
90 Day LIBOR	WSJ Prime	5 Year SWAP	7 Year SWAP	10 Year SWAP
0.30%	3.25%	1.65%	2.10%	2.59%
SBA Fixed Base Rate		CDC/504 Debenture Rate		
5.67%		5.27%		

SBA 7(a) and USDA B&I

RATE OPTION	MULTI PURPOSE						SPECIAL PURPOSE			
	PAR		1.00%		2.00%		PAR		1.00%	
	Spread	Rate	Spread	Rate	Spread	Rate	Spread	Rate	Spread	Rate
ADJUSTABLE	2.25%	5.50%	2.50%	5.75%	2.75%	6.00%	2.50%	5.75%	2.75%	6.00%
FIXED ¹	2.25%	7.92%	2.50%	8.17%	2.75%	8.42%	2.50%	8.17%	2.75%	8.42%

1. Indicative Fixed Rate options are applicable to SBA 7(a) loan structures ONLY. For USDA B&I Fixed Rate option, please contact a MBC representative for quote.

PRE PAYMENT PENALTY OPTIONS

Floating Rate Options require a Declining 5%, 3%, 1%
Fixed Rate Options Require a Prepayment Penalty through the Initial Fixed Period.

SBA 504

RATE OPTION	MULTI PURPOSE						SPECIAL PURPOSE					
	PAR		1.00%		2.00%		PAR		1.00%		2.00%	
	Spread	Rate	Spread	Rate	Spread	Rate	Spread	Rate	Spread	Rate	Spread	Rate
ADJUSTABLE	2.25%	5.50%	2.50%	5.75%	2.75%	6.00%	2.75%	6.00%	3.00%	6.25%	3.25%	6.50%
5 YEAR FIXED ¹	3.75%	5.40%	4.13%	5.78%	4.50%	6.15%	4.75%	6.40%	5.13%	6.78%	5.50%	7.15%
7 YEAR FIXED ²	4.00%	6.10%	4.38%	6.48%	4.38%	6.48%	5.00%	7.10%	5.38%	7.48%	5.75%	7.85%
10 YEAR FIXED	4.25%	6.84%	4.63%	7.22%	5.00%	7.59%	5.25%	7.84%	5.63%	8.22%	6.00%	8.59%

- Rate will be fixed for the first Five (5) Years, adjusting every Five (5) Years, based upon the Five (5) Year SWAP + the initial quoted fixed rate spread. **There will be a 6.25% Interest Rate Floor for the Life of the Loan.**
- Rate will be fixed for the first Seven (7) Years, then will adjust Quarterly, based upon the Three (3) Month LIBOR + the initial quoted fixed rate spread. **There will be a 6.75% Interest Rate Floor for the Life of the Loan.**
- Rate will be fixed for the first Ten (10) Years, then will adjust Quarterly, based upon the Three (3) Month LIBOR + the initial quoted fixed rate spread. **There will be a 7.25% Interest Rate Floor for the Life of the Loan.**

PRE PAYMENT PENALTY OPTIONS

	ADJUSTABLE	5 YEAR FIXED	7 YEAR FIXED	10 YEAR FIXED
Declining 5%, 4, 3, 2, 1%	Required			
Flat 5% for first 5 Years	0.50%	Required		
Declining 7%, 6, 5, 4, 3, 2, 1%	1.00%	0.50%	Required	
Declining 10%, 9, 8, 7, 6, 5, 4, 3, 2, 1%	1.50%	1.00%	0.50%	Required

- All origination fees, less any SBA Guarantee Fees, will be remitted at closing to the originating lender.
- All loans are based upon a 365/360 Interest Rate Accrual Basis.
- Base rates are the prior weekly Index average <http://www.federalreserve.gov/Releases/H15/Current>
- The terms contained herein are not all-inclusive and are subject to change at anytime without notice.

Plan 2 Part 2: SBA 504 Financing

The SBA 504 program allows business owners to access 90% LTV loans for the purchase or construction of commercial real estate. The loan structure includes a first and a second mortgage allowing for loan to values that are typically not available. The program also provides the stability of competitive fixed interest rates. United Midwest offers up to 25 year term and amortization, with first mortgage fixed rates starting at 6.25% and, through your local CDC, second Mortgage fixed rates starting at 5.00%. The combined LTV is up to 90% and there are no balloon payments

The SBA 504 loan program provides small businesses long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. Projects are secured by a 1st and 2nd Deed of Trust/Mortgage on General and Special Purpose commercial real estate, meeting SBA qualifications, having a maximum aggregate Loan to Value between of 90%, depending on program parameters.

For a free training web-based seminar on the 504, visit your local CDC or www.coloradolendingsource.org and click on "webinars."

Typical Project Structure:

- 50% LTV Conventional 1st DOT/Mortgage
- 40% LTV SBA/CDC 2nd DOT/Mortgage
- 10% Equity Injection

SBA 504 Program Eligibility:

The Small Business Concern must be operated for profit and fall within the size standards set by the SBA, which is a tangible net worth of less than \$7.5 million and average net income that does not exceed \$2.5 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

Use of Proceeds:

- Purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping.
- Construction of new facilities or modernizing, renovating or converting existing facilities.
- Purchasing long-term machinery and equipment.
- The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing EXCEPT as provided by the new Jobs bill signed 9/27/10.

Maximum Debenture (Second Mortgage from the CDC):

- \$1,500,000 when meeting the job creation criteria or a community development goal. May increase to \$5,000,000.
- \$2,000,000 when meeting a public policy goal. May increase to \$5,000,000.

- \$4,000,000 for small manufacturers. May increase to \$5,500,000.

Debenture Rates/Fees:

Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately 3 percent of the debenture and may be financed with the loan.

Eligible Property Types:

- **Office:** Professional, Condominium, Medical, Dental and Veterinarian.
- **Industrial:** Heavy and Light Manufacturing, Warehouse and R&D Flex.
- **Retail:** General.
- **Special Purpose:** Assisted Living Facilities / Adult Care, Day Care Facilities, Restaurants, Funeral Homes and Hotels/Motels.

Maximum Loan Amount:

1st DOT/Mortgage - \$4,000,000 and combined first and second is \$6,000,000 for United Midwest. These limits may be increasing due to the passage of HR 5297 on September 27, 2010. Check the blog, www.sbaфинancenews.com or www.coloradolendingsource.org.

Rate Options:

Adjustable, Three (3) and Five (5) Year Fixed Loan Terms Available.

Maturity and Amortization:

Up to 25 years on the first mortgage, fully amortized.

Maximum LTV:

50% LTV on the first mortgage and 90% combined LTV based upon the Lower of Cost or Appraised Value.

Minimum Debt Coverage Ratio:

1.25x Minimum Debt Coverage Ratio ("DCR") is required for the most recent FYE and Interim period. The DCR will be based on the underwritten EBITDA of the Small Business Concern.

Occupancy:

51% or greater must be occupied by the Small Business Concern

Borrower /Guarantor Characteristics:

Prior Ownership and Management Experience
Minimum FICO 680

Recourse:

All loans are Full Recourse and require the personal guarantee of any and all individuals or entities holding 20% ownership interest or more.

Interim Financing:

Often the transaction has to close before the debenture (second mortgage) has funded. United Midwest offers up to \$2,000,000 in interim financing for this purpose. The interim loan has a 120 Day Term and carries a variable interest rate based upon the published Wall Street Journal (WSJ) Prime Index + 2.75%, interest only, to adjust quarterly.

Construction Financing:

Construction loans are available for multipurpose projects.

Plan 2, Part 3: USDA B&I Financing

The United States Department of Agriculture guarantees loans under a number of programs – the most popular of which is the USDA B&I program. Eligible properties have to be in an “eligible rural area. To determine quickly whether a location may be eligible for a USDA guarantee, go to <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

The USDA Business and Industry program provides all of the same benefits as the 7a program with a focus on rural communities. Midwest Business Capital helps small business owners in rural areas to access capital to consolidated or refinance debts, improve existing facilities, purchase or construct new facilities, purchase equipment and purchase inventory. USDA guaranteed loans feature up to 25 year term and amortization, with rates starting at 5.50%. The maximum LTV is 80% and there are no balloon payments.

The B&I Guaranteed Loan Program is designed to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. Projects are secured by a 1st Deed of Trust/Mortgage on General and Special Purpose commercial real estate, meeting USDA qualifications, having a maximum Loan to Value of 80%, depending on program parameters.

For detail on the USDA B&I loan program and the other loan programs available for rural community development, see http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm. The discussion below will focus on Midwest Business Capital's USDA program for credit unions that are part of its wholesale channel.

To be USDA eligible, a borrower must be engaged in or proposing to engage in a business that will:

- Provide employment;
- Improve the economic or environmental climate;
- Promote the conservation, development, and use of water for aquaculture; or
- Reduce reliance on non-renewable energy resources by encouraging the development and construction of solar energy systems and other renewable energy systems.

The borrowing entity must reside in a community (MSA) of 50,000 or less and the borrower must have tangible balance sheet equity at the loan closing of no less than 10 - 20% for existing businesses, 20% for new businesses, and 40% for energy or bio-based businesses.

USDA B&I Eligible Use of Proceeds:

- Purchase and development of land, easements, rights-of-way, buildings, or facilities.
- Business conversion, enlargement, repair, modernization, or development.
- Purchase of equipment, leasehold improvements, machinery or inventory.
- To refinance existing business indebtedness that is not already structured with reasonable terms and conditions.
- Business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities.

USDA B&I Rates/Fees:

Interest rates are generally adjustable based, tied to the Prime Index. Maturities up to 30 years are available, based upon the use of funds, but 25 years is typical and customary. Usual and customary fees (legal, title, environmental, loan origination, appraisal, and survey, for example) are permitted and the USDA collects up to a 2% guarantee fee. A 0.25% renewal fee is assessed annually based on the outstanding principal balance.

Eligible Property Types:

- **Office:** Professional, Condominium, Medical, Dental and Veterinarian.
- **Industrial:** Heavy and Light Manufacturing, Warehouse and R&D Flex.
- **Retail:** General.
- **Special Purpose:** Assisted Living Facilities / Adult Care, Day Care Facilities, Restaurants, Funeral Homes and Hotels/Motels.

Maximum Loan Amount:

1st DOT/Mortgage - \$4,000,000. Higher amounts case by case.

(The actual limit under USDA guidelines is \$10 million, and higher in some circumstances. However, the originating lender – in this case Midwest Business Capital, retains the uninsured 20% of the loan. Hence, individual lenders set their own guidelines.

Rate Option:

Prime Based Quarterly Adjustable.

Maturity and Amortization:

- Real estate – Up to 30 Years although 25 is typical.
 - Equipment acquisition – Up to 15 Years
 - Permanent working capital – Up to 7 Years
- **Blended Maturity and Amortization applicable.

Maximum LTV:

- Real estate – Up to 80% LTV
- Equipment acquisition, Permanent working capital & debt refinancing up to 60% LTC fully collateralized.

Minimum Debt Coverage Ratio:

1.25x Minimum Debt Coverage Ratio (“DCR”) for the most recent FYE and Interim period. The DCR will be based on the underwritten EBITDA of the Small Business Concern.

Borrower /Guarantor Characteristics:

- Prior Ownership and Management Experience.
- Minimum FICO 665.

Recourse:

All loans are Full Recourse and require the personal guarantee of any and all individuals or entities holding 20% ownership interest or more.

Loan Limitations:

- **Debt refinancing:** The refinancing must create new jobs or secure existing jobs (e.g., by improving cash flow).
- **Transfers of ownership:** Acquisitions are only eligible if they create new jobs or prevent job loss.
- **Commercial lease projects (retail centers, office buildings, industrial facilities, etc.):** Needn't be owner-occupied, but must have enough committed tenants to break even.

Construction Financing:

Available for Multi Purpose Projects

PLAN 3: ACCOUNTS RECEIVABLE SECURED WORKING CAPITAL LINES

Today's businesses need working capital. But unless you have a comprehensive loan policy, and experts to monitor and service, working capital lending is not something you consider as a credit union. But suppose someone else wants to do the job and pay you for the origination? And in that context we invite you to meet Atlanta's FTrans.

Through partnerships with credit unions, FTrans (www.ftrans.net) offers businesses greater access to capital and increased efficiency through the outsourcing of their accounts receivable and credit administration processes.

FTrans was started in 2004 by John B. Hayes, co-founder of Peachtree Accounting Software. Headquartered in Atlanta, the Company has about 40 employees, approximately 160 clients and approximately 16,000+ Client Buyers (all 50 states, 34 countries)

FTrans currently has over \$100 MM in Loans Outstanding and has processed over \$500 Million in invoices Process. Invoices are open for an average of 48 days. FTrans' partners and investors include Total Technology Ventures, New Atlantic Ventures, and Greenhill SAVP.

FTrans Program advantages:

- Maintain your member relationship with the owners of the business, and keep deposit accounts and ancillary business. FTrans is a credit company, not a bank.
- Provide a lending alternative for the member and their business without incurring cost of traditional lending relationship
- You have no loan loss reserve requirements
- No internal cost for monitoring and managing credit relationship
- Best of all, you Receive approximately 80 bps annually on line out standings, which frequently exceeds earnings on small business C&I loans

Borrower Benefits

- Accounts receivable secured working capital is a credit alternative for the borrowing company not traditionally available through credit unions.

- The borrowing company reduces its cost and risk by outsourcing accounts receivable functions to FTrans. FTrans collects receivables, pays down the line as needed, grades accounts and does all the reporting.
- FTrans provides credit administration for the business
- FTrans takes over the collections processes
- FTrans provides a lockbox for payment receipt and processing
- The working capital line means access to more capital based on the company's growth needs
- The line means increase sales by offering more credit to buyers
- The line is basically non-recourse to the company, with exceptions for fraud and negligence and breach of covenants because it is secured by accounts receivable.
- FTRANS service is less expensive than accepting a credit card for payment

FTRANS underwriting criteria

- Borrowers with significant A/R balances due from approved account debtors
- No progress or contingent billing (excludes many contractors)
- Account debtors must be approved
- Minimum ratings for domestic large companies and government entities
- Minimum Equifax small business credit exchange scores for domestic companies
- Third-party credit insurance for others, including international
- Account debtor consent not required
- Sufficient information on accounts debtors is usually available publicly
- FTRANS must be able to purchase accounts free of liens or other claims
- Loan balance: \$100M to \$2MM

Contact Information:

Daniel H. Drechsel
 Chief Executive Officer
 Phone: 678 268 3316
www.ftrans.net

PLAN 4: RESIDENTIAL ORIGINATIONS

These are difficult times to be in the mortgage business – but nonetheless, mortgages are an essential member/member service and there are basically three delivery tracks:

We won't be discussing mortgage banking here due to the expense, human resources load, credit risk and interest rate risk inherent to the business. The risk/reward ratio in the current slow, tight credit market favors a less ambitious approach for many community credit unions.

Without becoming a mortgage banker, how does the Credit union do that legally, professionally and while maintaining control of your member relationship?

There are several questions you need to ask yourself whether you have a current residential mortgage program or not.

1. Who is your mortgage partner today? Are they a credit union? A broker? A mortgage banker? All can originate residential mortgages for you. The differentiator is who has control of the member after the loan closes; is it one of the big box credit unions or is the loan serviced by a non-credit union entity. Why? This becomes deposit retention & cross sell issue. Large credit unions view residential mortgage servicing portfolios as a tremendous cross sell opportunity. They hire people to “data mine” the portfolio, and have multi-million dollar budgets to market their mortgage banking products and services to your members. They challenge your deposit relationship with the client. If a non-credit union entity services your loans, this concern is eliminated.
2. There are several process/origination options for a credit union to earn fee income from mortgages. How do you feel about overhead as it relates to residential mortgage production, underwriting and loan servicing?
3. If you are offering residential mortgages now, does your product suite include FHA? USDA? Jumbo loans? Would you be able to increase fee income if you had a vehicle to offer these products?
4. If you have a residential mortgage portfolio now would it make sense to sell a portion, or the entire portfolio?

These are all important considerations in making your business decision regarding residential mortgages.

Gateway Mortgage Group of Tulsa may well be a fit for medium and small credit unions because of the innovative way their “credit union channel” program is structured.

Gateway Mortgage Group, LLC

Jim Pogue heads up the Colorado mortgage operations for Gateway Mortgage Group, LLC. Jim has over 20 years experience in the mortgage business, the bulk of which is in Colorado.

Gateway Mortgage Group, LLC is headquartered in Tulsa, OK, and has been in existence for over 10 years. Gateway Mortgage Group is a mortgage banker (not a bank) and direct seller/servicer for FNMA and FHA. This means they service the loans (conforming/FHA), but since Gateway is not a bank, *and has no products and services to cross sell to your credit union’s clients.* Additionally, as a direct seller/servicer for FNMA and FHA Gateway does not have to deal with “investor overlays”. Gateway’s underwriters are in-house.

Gateway Mortgage Group, LLC offers the following loan programs:

- FHA
- VA
- USDA
- FNMA conventional
- Jumbo conventional (GMAC)

Gateway has four transaction options you can choose from for purchasing your residential mortgages. These are 1) referral, 2) processing, 3) wholesale and 4) correspondent.

Referral: The Credit union refers the borrowers to a shared website, where the borrower completes a 1003 on line and completes the application documentation. Gateway contacts the member for processing, underwriting and closing. The credit union is not compensated for this loan and there are no reps & warrants.

The advantages of the “referral” process to the credit union are:

- Provide a professional service for my member, that is also legal and RESPA compliant
- Maintain control - i.e. members are not going to another credit union for this service

- Loan serviced by a non-credit union, non-bank entity – your member is not the target of a barrage of cross sell attempts
- No overhead
- Allow member to make payment in branch
- Enable credit union to offer FHA/VA/USDA products without FHA/VA ticket

Processing: The credit union originates the application, completing a minimum of 7 steps of the application process. This is a RESPA requirement in order for the credit union to receive compensation for the transaction. The credit union would then refer the loan to Gateway for processing, underwriting, closing and funding. The credit union would receive 50% of the origination fee. This would be disclosed to the borrower and paid by the borrower. Full reps and warranties would apply.

The advantages of the “processing” process to the credit union are:

- Fee income of 25-50 bps
- Provide a professional service for my member, that is also legal and RESPA compliant
- Maintain control - i.e. members are not going to another credit union for this service
- Loan serviced by a non-credit union entity – my member is not the target of a barrage of cross sell attempts
- The credit union is getting a return on assets without risking any assets
- Very little, if any incremental overhead. These loans could be originated by existing credit union officers with guidance from Gateway support. Since the loans are serviced by Gateway, no servicing overhead.
- Allow member to make payment in branch
- Enable credit union to offer FHA/VA/USDA products without FHA/VA ticket

Wholesale: The Credit union originates, process, closes and funds FNMA, GNMA eligible loans and chooses to sell those closed loans to Gateway on a servicing released basis, and can be in bulk OR single whole loan transactions. Loans would be delivered to Gateway for underwriting and post closing QC audit prior to purchase. Gateway would establish a price with pre closing or post closing lock. Generally, the sale of these loans would result in a 1% fee to the credit union and minimal YSP. Full warranties and reps would apply to the purchase of these loans.

The advantages of the “wholesale” process to the credit union are:

- Fee income of 100 bps plus minimal YSP
- Maintain control - i.e. members are not going to another credit union for this service
- Loan serviced by a non-credit union entity – my member is not the target of a barrage of cross sell attempts
- No loan servicing overhead
- Allow member to make payment in branch

Correspondent: If the Credit union is approved to originate and has a HUD eagle and a VA approval, these loans could be sold to Gateway under separate warranties and reps by assigning the existing reps on these government loans. In some cases these loans could be sold to by assignment if trade or AOT.

The advantages of the “correspondent” process to the credit union are:

- Fee income of origination fee plus a premium
- Maintain control - i.e. members are not going to another credit union for this service
- Loan serviced by a non-credit union entity - my member is not the target of a barrage of cross sell attempts
- Allow member to make payment in branch

For More Information:

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720-519-3465

PLAN 5: MULTIFAMILY LENDING

Apartment Lending Credit union has a popular fee generating multifamily platform.

The **Metropolitan** Program which includes the areas of Boston, Chicago, Denver, L.A./Orange County/San Diego (Coastal Southern California),

Minneapolis/St. Paul, New York City (Metro), Portland, Salt Lake City, San Francisco (Bay Area), Seattle and Washington DC.

The **Nationwide** Program includes all other major markets. Please also take note that we have eased back on maximum leverage for the Nationwide Major Metro Program (although exceptions may be considered for exceptional transactions).

Program Highlights:

- Minimum \$250,000 loan size
- Maximum loan size \$5,000,000.
- Rates are based on Major Metropolitan areas; other markets may be considered.
- Major metropolitan markets only; smaller markets may be acceptable with experienced borrowers and increased rate/spread.
- Loans for older properties or that have a 'story' will be risk based priced: increased 25-100 bps.
- Cash out refinance requests are typically limited to 50% maximum.
- Stable current and historic cash flow is generally required. Properties recently stabilized may be acceptable with exceptional sponsorship. Rate add may apply to mitigate market risk.
- Borrower should be solid: market experience, liquidity, net worth, personal credit.
- Full recourse generally required for all Managing Members, General Partners, Corporate Officers and individuals owning 25% or more. Exceptions may be made but no less than one key principal required as a guarantor of the loan subject to approval from credit union and authorization from borrowing entity.
- Program generally requires credit scores of 680 or better.
- Rebates are only paid to credit unions in good standing with the appropriate state governing authorities (as applicable) to a maximum of \$10,000 per transaction.
- Rate is locked when loan documents are drawn; no advance rate lock is available.

Items needed for formal Letter of Interest consideration:

- Detailed personal financial statement or 1003 loan application.
- Detailed schedule of real estate owned.
- Last two years personal tax returns.
- Recent credit report or signed Credit union or Internet credit authorization.
- Resume or curriculum vitae

- Purchases generally require Income & Expense statements (operating history) for subject property for 2008, 2009 and year to date 2010.
 - Refinances require borrowing entity tax returns for two previous years (if subject is held under an entity). If 2007 & 2008 are provided then a 2009 Income & Expense statement is also required.
- 2010 year to date Income & Expense statement.
- Current detailed rent roll including unit mix.
- Photos of subject property: front & rear; interior; neighboring properties; street scenes.
- Vesting map or thorough understanding of borrowing entity ownership breakdown.
- Purchases: sales contract, escrow instructions (in applicable markets) and leases (if available).
- Refinances: statement of purpose or 'sources and uses' of loan proceeds analysis

Contact Information:

Keith Nisenson
Apartment Credit union / Credit union of Internet USA
Multifamily Lending
12777 High Bluff Drive, Suite 100
San Diego, CA 92130
(815) 893-0866
(858) 764-9990 fax



ABUSA Nationwide Markets

Major Metropolitan Markets

Keith Nisenson Phone: (815) 893-0866 Email: keith.nisenson@apartmentbank.com

12 Month Libor ARM											Loan Amount: \$250,000** - \$5,000,000	
Start Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Start Rate	Max Purch Leverage	Max Refi Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / And Adj. Cap	Life Floor / Life Cap	Prepayment Penalty		
5.13%	0.50%	6-Month Libor	3.15%	65%	60%	1.25	30 / 30	6 Months / 1%	5.13% / Start + 6%		2%, 1%, 1%	
5.31%	PAR	6-Month Libor	3.30%	65%	60%	1.25	30 / 30	6 Months / 1%	5.31% / Start + 6%		3%, 2%, 1%	
5.49%	<- .50%>	6-Month Libor	3.45%	65%	60%	1.25	30 / 30	6 Months / 1%	5.49% / Start + 6%		4%, 3%, 2%, 1%	
5.67%	<-1.0%>	6-Month Libor	3.45%	65%	60%	1.25	30 / 30	6 Months / 1%	5.67% / Start + 6%		4%, 3%, 2%, 2%	

3 Year Fixed Hybrid											Loan Amount: \$250,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Refi Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
5.73%	0.50%	6-Month Libor	2.85%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	5.73% / Start + 6%		3%, 2%, 1%	
5.91%	PAR	6-Month Libor	3.00%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	5.91% / Start + 6%		3%, 2%, 1%	
6.09%	<- .50%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.09% / Start + 6%		4%, 3%, 1%	
6.27%	<-1.0%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.27% / Start + 6%		4%, 3%, 1%	

5 Year Fixed Hybrid											Loan Amount: \$250,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Refi Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
5.93%	0.50%	6-Month Libor	2.85%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	5.93% / Start + 6%		5%, 4%, 3%, 2%, 1%	
6.06%	PAR	6-Month Libor	3.00%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.06% / Start + 6%		5%, 4%, 3%, 2%, 1%	
6.19%	<- .50%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.19% / Start + 6%		5%, 4%, 3%, 2%, 1%	
6.32%	<-1.0%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.32% / Start + 6%		5%, 4%, 3%, 2%, 1%	

7 Year Fixed Hybrid											Loan Amount: \$250,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Refi Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
6.31%	0.50%	6-Month Libor	2.85%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.31% / Start + 6%		5%, 5%, 5%, 4%, 3%, 2%, 1%	
6.42%	PAR	6-Month Libor	3.00%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.42% / Start + 6%		5%, 5%, 5%, 4%, 3%, 2%, 1%	
6.53%	<- .50%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.53% / Start + 6%		5%, 5%, 5%, 4%, 3%, 2%, 1%	
6.64%	<-1.0%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.64% / Start + 6%		5%, 5%, 5%, 4%, 3%, 2%, 1%	

10 Year Fixed Hybrid											Loan Amount: \$250,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Refi Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
6.78%	0.50%	6-Month Libor	2.85%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.78% / Start + 6%		5%, 5%, 4%, 4%, 3%, 3%, 2%, 2%, 1%, 1%	
6.88%	PAR	6-Month Libor	3.00%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.88% / Start + 6%		5%, 5%, 4%, 4%, 3%, 3%, 2%, 2%, 1%, 1%	
6.94%	<- .50%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	6.94% / Start + 6%		5%, 5%, 4%, 4%, 3%, 3%, 2%, 2%, 1%, 1%	
7.02%	<-1.0%>	6-Month Libor	3.15%	65%	60%	1.30-1.35	30 / 30	6 Months / 1%	7.02% / Start + 6%		5%, 5%, 4%, 4%, 3%, 3%, 2%, 2%, 1%, 1%	

Rates are indicative as of the date of the rate sheet. Rates and spreads are subject to change without notice due to market fluctuations.
 15 Year Fixed Rate Pricing available on 15/15 and 15/30 Fixed Hybrid. Call for pricing.
 Licensed broker to be in good standing with the appropriate state authority (Dept. of Real Estate, etc.) required.
 Rebate pricing paid only to licensed brokers. Maximum rebate paid limited to \$10,000.
 Upon conclusion of fixed rate term loans will roll to 6-Month ARM with interest rate adjustments capped at 1.0%. Life cap is start rate + 6%.
 Loans with LTV equal to or less than 55% and a bank underwritten DSCR of 1.55 may receive a start rate discount of 95 bps.
 Loans with master metered electricity will be subject to lower leverage (5%) and high DSCR standards (1.35).

PROGRAM NOTES
 All programs listed on this rate sheet are designed for above average quality, stabilized & seasoned properties.

- Total ancillary fees / closing fees* (processing and underwriting): \$2,500
- *More than two borrowing entities may require additional fees. Husband & wife counts as one entity.
- **Loans \$300,000-\$499,900 increase rate/spread 35 bps and \$250,000-\$299,900 increase 60 bps.
- **Cash out refinance requests are typically limited to 50% maximum; 55% with minimal cash out may be allowed.
- **Loans in smaller markets, older properties or that have a 'story' will be risk based priced: increased 25-100 bps.
- ***Rate is locked when loan documents are drawn; no advance rate lock is available.
- Minimum DSCR requirement may be increased based on risk of transaction.
- Major metropolitan markets only; smaller markets may be acceptable with increased rate/spread.
- Stable current and historic cash is generally required. Properties recently stabilized may be acceptable with exceptional sponsorship. Rate add may apply to mitigate market risk.
- Borrower should have a minimum 25% cash equity for refinances if purchased within 5 years; exceptions may be considered.
- Borrower must be solid: market experience, liquidity, net worth, personal credit. Full recourse for at least one key principal required.
- C grade collateral in quality condition is acceptable.
- Application Fee generally \$3,000-\$6,500 and covers 3rd Party reports. This fee can vary depending on loan amount or property size.



This rate sheet is not an offer for an extension of credit and is not a commitment to lend. Rates and terms are subject to change without notice. Rates and terms may vary depending upon risk analysis, collateral quality and other factors. No APR's have been quoted or implied. This information is provided for the exclusive use of Real Estate professionals, is not intended for the general public, and is not intended nor should it be construed as an advertisement to promote consumer credit, as defined by Title 12, Code of Federal Regulations, Section 216.2.





Apartment Bank Rate Sheet
www.apartmentbank.com
 Monday, August 16, 2010

Discounted Pricing In These Metropolitan Markets

Boston, Chicago, Denver, Coastal Southern California, Minneapolis/St. Paul, New York (Metro), Portland, Salt Lake City, San Francisco (Bay Area), Seattle, Washington DC
 Keith Nisenon Phone: (815) 893-0866 Email: keith.nisenon@apartmentbank.com

12 Month Libor ARM											Loan Amount: \$290,000** - \$5,000,000	
Start Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Start Rate	Max Purch Leverage	Max Ref Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
4.75%	0.50%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	4.73% / Start + 6%	2%	2%	1%
4.92%	PAR	6-Month Libor	3.02%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	4.91% / Start + 6%	3%	2%	1%
5.09%	<= 50%	6-Month Libor	3.45%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.07% / Start + 6%	4%	3%	2%
5.27%	<= 1.00%	6-Month Libor	3.45%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.27% / Start + 6%	4%	3%	2%

3 Year Fixed Hybrid											Loan Amount: \$290,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Ref Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
5.03%	0.50%	6-Month Libor	2.85%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.08% / Start + 6%	3%	2%	1%
5.21%	PAR	6-Month Libor	3.02%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.21% / Start + 6%	3%	2%	1%
5.39%	<= 50%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.39% / Start + 6%	4%	3%	2%
5.57%	<= 1.00%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.57% / Start + 6%	4%	3%	2%

5 Year Fixed Hybrid											Loan Amount: \$290,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Ref Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
5.23%	0.50%	6-Month Libor	2.85%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.18% / Start + 6%	3%	2%	1%
5.36%	PAR	6-Month Libor	3.02%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.36% / Start + 6%	3%	2%	1%
5.49%	<= 50%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.49% / Start + 6%	4%	3%	2%
5.62%	<= 1.00%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.62% / Start + 6%	4%	3%	2%

7 Year Fixed Hybrid											Loan Amount: \$290,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Ref Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
5.86%	0.50%	6-Month Libor	2.85%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.86% / Start + 6%	3%	2%	1%
5.97%	PAR	6-Month Libor	3.02%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	5.97% / Start + 6%	3%	2%	1%
6.08%	<= 50%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	6.08% / Start + 6%	4%	3%	2%
6.19%	<= 1.00%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	6.19% / Start + 6%	4%	3%	2%

10 Year Fixed Hybrid											Loan Amount: \$290,000** - \$5,000,000	
Fixed Rate***	Loan Fee	Index After Fixed Rate	Minimum Margin After Fixed Rate	Max Purch Leverage	Max Ref Leverage**	Minimum DSCR	Amort / Term	Adj. Frequency / Adj. Cap After Fixed Rate	Life Floor / Life Cap	Prepayment Penalty		
6.43%	0.50%	6-Month Libor	2.85%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	6.43% / Start + 6%	3%	2%	1%
6.53%	PAR	6-Month Libor	3.02%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	6.53% / Start + 6%	3%	2%	1%
6.59%	<= 50%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	6.59% / Start + 6%	4%	3%	2%
6.67%	<= 1.00%	6-Month Libor	3.15%	85%-70%	80%-65%	1.25	30 / 30	6 Months / 1%	6.67% / Start + 6%	4%	3%	2%

Rates are indicative as of the date of the rate sheet. Rates and spreads are subject to change without notice due to market fluctuations.

15 Year Fixed Rate Pricing available on 15/15 and 15/30 Fixed Hybrid. Call for pricing.

Licensed broker to be in good standing with the appropriate state authority (Dept. of Real Estate, etc.) required.

Rebate pricing paid only to licensed brokers. Maximum rebate paid limited to \$50,000.

Upon conclusion of fixed rate term loans will roll to 6-Month ARM with interest rate adjustments capped at 1.0%. Life cap is start rate + 6%.

Loans with LTV equal to or less than 55% and a bank underwritten DSCR of 1.35 may receive a start rate discount of 15 bps.

Loans with master metered electricity will be subject to lower leverage (5%) and high DSCR standards (1.35).

IMPORTANT NOTES:

All programs listed on this rate sheet are designed for above average quality, stabilized & seasoned properties.

Total ancillary fees / closing fees* (processing and underwriting): \$2,500

*More than two borrowing entities may require additional fees. Husband & wife counts as one entity.

**Loans \$300,000-\$499,999 increase rate/spread 35 bps and \$250,000-\$299,999 increase 80 bps.

**Cash out refinance requests are typically limited to 50% maximum, 55% with minimal cash out may be allowed.

**Loans in smaller markets, older properties or that have a 'story' will be risk based priced: increased 25-100 bps.

**Rate is locked when loan documents are drawn; no advance rate lock is available.

• Minimum DSCR requirement may be increased based on risk of transaction.

• Major metropolitan markets only; smaller markets may be acceptable with increased rate/spread.

• Stable current and historic cash is generally required. Properties recently stabilized may be acceptable with exceptional sponsorship. Rate add may apply to mitigate market risk.

• Borrower should have a minimum 25% cash equity for refinances if purchased within 5 years; exceptions may be considered.

• Borrower must be solid: market experience, liquidity, net worth, personal credit. Full recourse for at least one 1st principal required.

• C grade collateral in quality condition is acceptable.

• Application Fee generally \$3,000-\$6,500 and covers 3rd Party reports. The fee can vary depending on loan amount or property size.



This rate sheet is not an offer for an extension of credit and is not a commitment to lend. Rates and terms are subject to change without notice. Rates and terms may vary depending upon risk analysis, collateral quality and other factors. No AP's have been quoted or implied. The information is provided for the exclusive use of real estate professionals, is not intended for the general public, and is not intended nor should it be construed as an advertisement to promote consumer credit, as defined by Title 13, Code of Federal Regulations, Section 116.2.



PLAN 6: NEXT STEPS

Our intent in this paper was to present five different strategies to help your credit union improve fee income. We wanted to be specific, give you the terms, and the people to contact to find out more. Of course, there are hundreds of strategies out there.

Whichever path you choose, the key questions in evaluating each strategy are the same.

1. Does this product fit my member base?
2. How reliable is the vendor?
3. Are there other vendors I should interview?
4. Do they provide training?
5. Which of my team members will provide the lead with this product? Who is the appropriate product line manager and advocate?
6. Does this strategy have an impact upon headcount or can existing staff be used?
7. What are the ramifications for budget?
8. What exposure do we have from a “representations and warranties” standpoint?
9. Is this project in line with regulations? What will the examiners say?
10. Which product line(s) offer the best return for the investment of time and dollars?

For more information, we urge you to get in touch with the vendor directly. Our thanks to the vendors who edited, co- wrote and participated in this project

1. Wealth Management: Joseph Janiczek
email janiczek@janiczek.com, telephone 303-339-4460
2. SBA/USDA: Jason Charles
email jason@horizon-west.com, telephone 801-214-6151
3. Working Capital Lines: Dan Drechsel
email dandrechsel@ftrans.net, telephone 678-268-3316
4. Residential Origination: Jim Pogue
email james.pogue@gmos.us, telephone 720-519-3465
5. Multifamily Origination: Keith Nisenson
email keith.nisenson@apartmentcredit union.com,
telephone 815-893-0866

Epilogue: What About Interest Income?

One theory that is gaining momentum is what I will call the Pristine Portfolio Theory. Others call it the Fortress Portfolio Theory. The theory holds that, while we have a duty and a charter to make loans and take care of the needs of our members, we also have a duty to survive and hold on to a core portfolio not just of consumer credits and CDs but of the kinds of A or better rated credits that will carry us forward for years and years. In other words, build a core, “fortress” investment portfolio that is not dependent upon the decisions of our credit officers or the behavior of our members.

So, to meet member needs, we can expand services through vendors like the five discussed in this report – and CUSOS, of course, who can as well provide excellent service and expand our offerings.

And instead of emphasizing loan growth through our own volume, we can transfer consumer and commercial whole loan credit risk off balance sheet by originating for fee, rather than interest, income in many cases. For INTEREST income, we therefore increasingly rely on some nontraditional, but lower risk, types of investments. Here are but a few interesting example you may not have considered before now:

SHORT BUCKET (Liabilities re-pricing every 30-90 days): SBA pool securities, AAA rated, full faith and credit including timely payment. CDs. Pools are pledgeable to the Federal Home Loan Bank.

MEDIUM Bucket (1-5 Years): SBA 504 first lien pools (the latest, re-pricing every 3-5 years). FNMA and FHLMC and agency (Federal Home Loan Credit union, for example) notes. Pools and agencies can be pledged for liquidity. Intermediate term CDs. SBA guaranteed loans (guaranteed portion only – see my White Paper on how to avoid premium risk and gain the rewards). USDA guaranteed loans (guaranteed portion only). Plain vanilla short maturity taxable municipal bonds. (Also A-AAA rated).

LONG BUCKET: (6-10 Years): Taxable municipal bonds, Build America Bonds. A or better rated.

ABOUT THE AUTHOR:

Tim Thomas is a specialist in low risk weighted assets for credit unions and other financial institutions. Low risk weighted assets include taxable municipal issues and Build America bonds (50% risk weight), tax exempt credit union qualified municipals (50% risk weight), USDA and SBA guaranteed loan (20% risk weight), SBA pools (0% risk weight) and Agency securities (0% risk weight).

Tim Thomas joined Isaak Bond Investments, Inc., in May, 2010 after two years in the SBA and the nationwide commercial secondary markets

division with Bank of the West (a subsidiary of BNP Paribas) and 25 years in corporate and real estate finance.

Prior to Bank of the West, Tim served as a senior loan officer, analyst and correspondent channel manager with IMPAC, a real estate investment trust based in Southern California, where he headed multifamily mortgage origination in nine States.

Tim holds a Series 7 securities license. He is a graduate of Santa Clara University with a degree in economics and political science, with an emphasis in public finance. Tim is a member of the Colorado-Wyoming Chapter of CCIM. He is a frequent guest speaker and honorary instructor in at the University of Denver's Burns School of Real Estate. Tim is active in Rotary, teaches high school debate, Junior Great Books, and is a volunteer with the Channel 9 Health Fair. A native of Denver, Tim resides with his family in Centennial, Colorado.

His previous white papers:

SBA Pool Investment Strategies for Community Credit unions

The Risks and Returns of Government Guaranteed Loan Investments for Credit Unions

ABOUT ISAAK BOND INVESTMENTS INC.

Isaak Bond Investments is a 33 year old institutional municipal broker dealer based in Denver. Isaak Bond Investments is a member SIPC and licensee under FINRA. They provide bonds for a number of nationally known, very large municipal bond funds, community credit unions, trust departments and institutional investors. Isaak Bond Investments makes a market in SBA and USDA guarantees, taxable (Build America) municipals; credit union qualified tax exempt municipal bonds, agencies, and rated general obligation and revenue bonds. Isaak Bond trades in the secondary bond and government guaranteed loan market, where they believe additional yields are available for community credit unions, credit unions, insurance companies and individual investors.

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