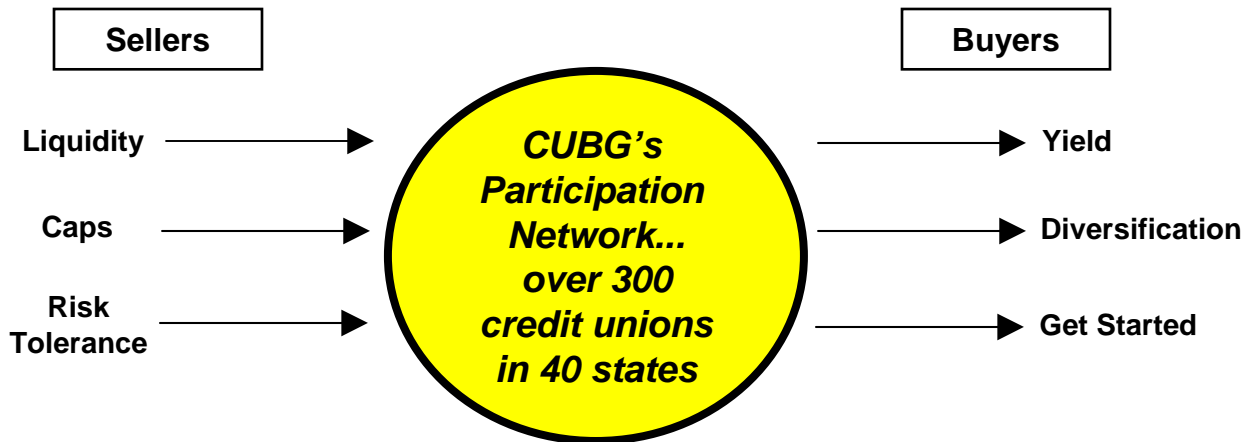




Business Loan Participation Network



Benefits of the CUBG Participation Network

- Easy matching of buyers and sellers
- Liquidity when you need it
- Manage your caps – total MBLs and loans-to-one-borrower
- Increase asset yields

CU Business Group facilitates the entire process

- Due diligence on the participating credit unions
- Underwriting and credit quality
- Standardized processes and documentation
- Pricing the loan and the participation
- Marketing the participation

Quality control provided by CU Business Group

- Standardized loan documents and participation agreements
- Participation accounting standards
- Investor reporting and funds management
- Participation Network service standards

For more information contact CU Business Group
toll free 866.484.2876 or info@cubg.org

Participation Network Process

1. Originator presents loan to CUBG

2. CUBG screens or underwrites

3. Credit union can choose who they participate with **or** CUBG sends a Participation Offer to the Participation Network

4. CUBG Members have first priority for participations, then Affiliates

5. Two to three day window is provided for credit unions to express interest



6. CUBG supplies Participation Interest Confirmation Letter.

7. Underwriting is completed and complete loan file with Credit Presentation is sent to participants

8. Originator and participant sign a Participation Agreement

9. Loan closed and funded by originator

10. Participant wires funds per the required timeframe

11. Originator begins servicing on the loan



Participation Network Loan Parameters

The following are the general characteristics of a conforming loan in the CU Business Group Participation Network.

| | | |
|-----------------------------|------------------------------------|------------------------------|
| Debt service coverage ratio | 1.25 or higher | |
| Loan to value ratio | 75% or less, 80% maximum | |
| Amortization | 25 years or less, 30 years maximum | |
| Maturity | 10 years or less, 15 years maximum | |
| Rate adjustment | Re-price after 5 years preferred | |
| Prepayment penalty | None preferred, will work around | |
| Loan fee from borrower | Lead typically keeps loan fee | |
| Participation amount | \$250,000 minimum | |
| Guarantors | Majority owners guaranty | |
| Geography | Will consider anywhere in the U.S. | |
| Loan types | <u>Best</u> | <u>Less Desirable</u> |
| | Office | Mixed use |
| | Apartment buildings | Hospitality |
| | Light industrial | Restaurants |
| | Defined retail | "Big box" |
| | Owner occupied | Specialized |

Service Standards

The following service standards must be adhered to by the lead credit union at all times.

| | |
|------------------------------|---|
| <u>Activity</u> | <u>Lead Credit Union to Participants</u> |
| Payment remittance | Within 10 days of receipt |
| Investor reporting | Within 10 days of payment |
| Updated borrower information | Within 10 days of receipt |
| All borrower correspondence | Within 10 days of receipt or submission |
| Lead credit union analysis | Within 10 days of completion |



PARTICIPATION CHECKLIST

Responsibility

| 1. Pre Offer – Due Diligence | Lead Lender | CUBG |
|--|-------------------------------------|-------------------------------------|
| A copy of the credit union's business loan policy | <input checked="" type="checkbox"/> | |
| Resumes demonstrating the experience of the credit union's business lending staff | <input checked="" type="checkbox"/> | |
| Information outlining the credit union's system capabilities, specifically the ability to support participation funds distribution and reporting | <input checked="" type="checkbox"/> | |
| An overview of the credit union's business loan portfolio | <input checked="" type="checkbox"/> | |
| Documentation of the credit union's capabilities in loan servicing | <input checked="" type="checkbox"/> | |
| Ensure lead lender is qualified and capable | | <input checked="" type="checkbox"/> |

| 2. Participation Offer | Timing: 2 - 4 business days | Lead Lender | CUBG |
|--|------------------------------------|-------------------------------------|-------------------------------------|
| Loan funding expectations, terms and conditions of participation (Participation Submission Form) | | <input checked="" type="checkbox"/> | |
| Generate Participation Offer highlighting the key terms of the loan | | | <input checked="" type="checkbox"/> |
| Review offer for accuracy | | <input checked="" type="checkbox"/> | |
| Email Offer to CUBG Participation Network | | | <input checked="" type="checkbox"/> |
| Confirm with participants and backups | | | <input checked="" type="checkbox"/> |
| Notify other interested credit unions that the Participation Offer has closed | | | <input checked="" type="checkbox"/> |

| 3. Underwriting | Timing: 5 - 10 business days | Lead Lender | CUBG |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Complete file sent to CUBG | | <input checked="" type="checkbox"/> | |
| Copy file and deliver to participants | | | <input checked="" type="checkbox"/> |
| Weekly updates regarding status | | | <input checked="" type="checkbox"/> |
| Credit Presentation to participants | | | <input checked="" type="checkbox"/> |
| Confirm with participants and backups | | | <input checked="" type="checkbox"/> |
| Obtain final credit approval from participants | | | <input checked="" type="checkbox"/> |
| Notify lead lender of final participant decisions | | | <input checked="" type="checkbox"/> |



PARTICIPATION CHECKLIST

Responsibility

| 4. Closing | Timing: 2 - 4 business days | Lead Lender | CUBG |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| Obtain contact information from all participants (including lead) | | | <input checked="" type="checkbox"/> |
| CUBG coordinates delivery of contact information between all parties | | | <input checked="" type="checkbox"/> |
| Generate participation agreements and deliver to participants | | | <input checked="" type="checkbox"/> |
| Deliver final funding instructions to participants (CUBG provides template) | | <input checked="" type="checkbox"/> | |
| Confirmation of closing/funding – sent to CUBG and all participants | | <input checked="" type="checkbox"/> | |

| 5. Post Loan Closing | Lead Lender | CUBG |
|---|-------------------------------------|-------------------------------------|
| Copy of executed loan documents to participants | <input checked="" type="checkbox"/> | |
| Obtain updated financials/tax returns for ongoing risk monitoring | <input checked="" type="checkbox"/> | |
| Complete review for participants | | <input checked="" type="checkbox"/> |

Participation Timeframe

The participation process generally takes between two to four weeks to complete. Each participation may have specific timing requirements based on the coordination of all parties involved.

| Service Standards | |
|---|--|
| The following service standards must be adhered to by the lead credit union at all times. | |
| Activity | Lead Credit Union to Participants |
| Payment remittance | Within 10 days of receipt |
| Investor reporting | Within 10 days of payment |
| Updated borrower information | Within 10 days of receipt |
| All borrower correspondence | Within 10 days of receipt or submission |
| Lead credit union analysis | Within 10 days of completion |