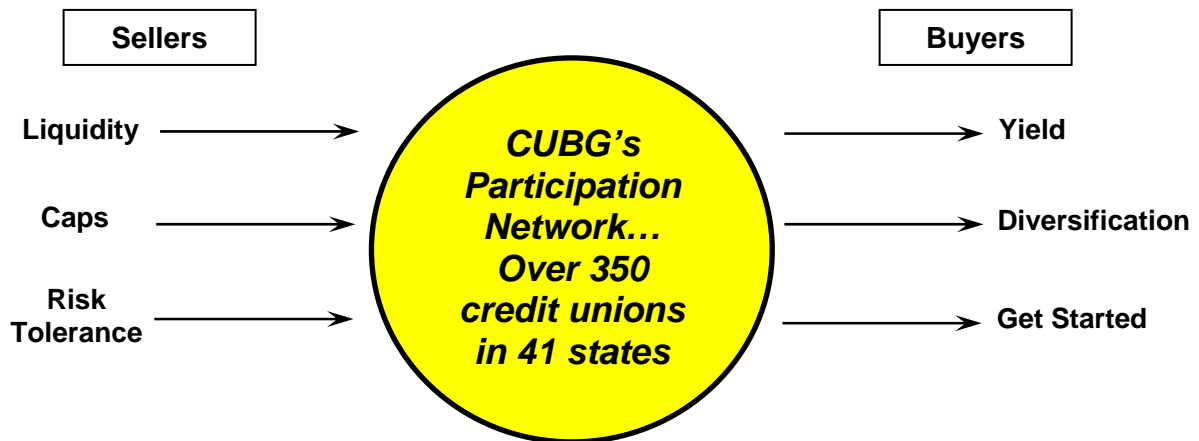




## Business Loan Participation Network



### Benefits of the CU Business Group 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

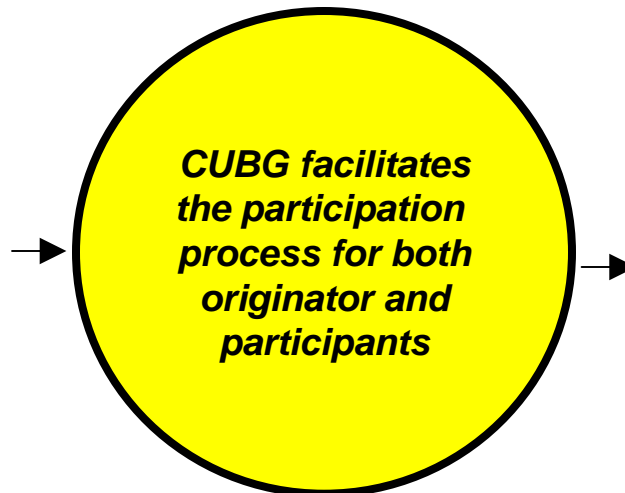
### Quality control provided by CU Business Group

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



# Participation Network Process

1. Originator presents loan to CUBG
2. CUBG screens and underwrites
3. CUBG sends an offering summary to the Participation Network
4. CUBG Member credit unions have first priority to buy, then all other credit unions
5. A window of 2-4 days is provided for credit unions to express interest



6. CUBG acknowledges and places the loan with participants
7. Complete loan file with credit presentation is sent to participants
8. If participant approves, then the credit unions enter into the participation agreement
9. Loan closed and funded by originator
10. Participant wires funds per the required timeframe
11. Originator/CUBG begins servicing on the loan



## Participation Network Loan Parameters

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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><b>Best</b></u> Office Apartment buildings Light industrial Defined retail Owner occupied	<u><b>Less Desirable</b></u> Mixed use Hospitality Restaurants "Big box" Specialized

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### 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

<b>1. Pre Offer – Due Diligence</b>	<b>Lead Lender</b>	<b>CUBG</b>
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"/>

<b>2. Participation Offer</b>	<b>Timing: 2 - 4 business days</b>	<b>Lead Lender</b>	<b>CUBG</b>
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"/>

<b>3. Underwriting</b>	<b>Timing: 5 - 10 business days</b>	<b>Lead Lender</b>	<b>CUBG</b>
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

<b>4. Closing</b>	<b>Timing: 2 - 4 business days</b>	<b>Lead Lender</b>	<b>CUBG</b>
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"/>	

<b>5. Post Loan Closing</b>	<b>Lead Lender</b>	<b>CUBG</b>
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.

<b>Service Standards</b>	
The following service standards must be adhered to by the lead credit union at all times.	
<b>Activity</b>	<b>Lead Credit Union to Participants</b>
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