



## Business Loan Rate Guidelines

1/31/2012 through 2/06/2012

**Note:** Rates are not specific to any particular market. Regional and local rates may vary as does pricing on specific relationships. Credit unions should establish minimum rates or floors based on appropriate margins over cost of funds, investment opportunity, or other indices.

### Commercial Real Estate - Fixed for 5 years

To determine the range of rates for Commercial Real Estate, add the 5-Year TCM Index (from chart at bottom) and the Margin for added risk over treasury investments:

$$[5\text{-year TCM}] + [\text{Added Margin for Risk}] = [\text{Rate Range for CRE Loan}]$$

<u>CUBG Risk Rating</u>	<u>Margin Over TCM</u>	<u>CU Rate Range</u>
1-2	2.00 - 2.25	2.84% - 3.09%
3-4	2.50 - 2.75	3.34% - 3.59%
5-6	3.00 - 3.50	3.84% - 4.34%
Floor		5.00% +

### Equipment Term Loans - Fixed up to 5 years

To determine the range of rates for an Equipment Term Loan, add the Prime rate (from chart at bottom) and the Margin for added risk over treasury investments:

$$[\text{Prime}] + [\text{Added Margin for Risk}] = [\text{Rate Range for Equipment or Term Loans}]$$

<u>CUBG Risk Rating</u>	<u>Margin Over Prime</u>	<u>CU Rate Range</u>
1-2	0.00 - 0.50	3.25% to 3.75%
3-4	1.00 - 1.50	4.25% to 4.75%
5-6	2.00 - 2.50	5.25% to 5.75%
Floor		6.00% +

### Revolving Lines of Credit - Floating up to 1 year

To determine the range of rates for Revolving Lines of Credit, add the Prime rate (from chart at bottom) and the Margin for added risk over treasury investments:

$$[\text{Prime}] + [\text{Added Margin for Risk}] = [\text{Rate Range for Revolving Lines of Credit}]$$

<u>CUBG Risk Rating</u>	<u>Margin Over Prime</u>	<u>CU Rate Range</u>
0-2	0.50 - 1.00	3.75% - 4.25%
3-4	1.50 - 2.00	4.75% - 5.25%
5-6	2.50 - 3.00	5.75% - 6.25%
Floor		6.50% +

Prime Rate **		Weekly Average Treasury Constant Maturities ("TCM") (FRB H-15) *								
Last Date of Change	Prime Rate	From Tuesday	To Monday	1-Mth	3-Mth	1-Yr	2-Yr	3-Yr	5-Yr	10-Yr
12/16/08	3.25	01/31/12	02/06/12	0.03	0.05	0.12	0.23	0.35	0.84	2.01

\* Yields on Treasury securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 1, 3 and 6 months and 1, 2, 3, 5, 7, 10 and 20 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity.

\*\* Rate posted by a majority of top 25 (by assets in domestic offices) insured U.S.-chartered commercial banks. Prime is one of several base rates used to price short-term business loans.