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Presents

SBA Lending Industry Compensation Report for 2012 (Preview)

Introduction

This is the first comprehensive report on compensation for SBA lending staff since 2008. Staffing issues have been virtually non-existent for the past several years. However, SBA lending has returned to 2008 levels of activity and with this has come the need for new departmental staffing. Many new lenders have entered the program along with older lender programs being rejuvenated. Demand for those with SBA lending expertise is up significantly. *Staffing has once again, become a front burner challenge for management.*

As the SBA lending industry continues to recover to pre recession lending, it is important to gain a better understanding of the issues that are affecting compensation, which in turn impacts not only employee retention, but the recruitment of new talent. This starts with understanding how SBA lending staff are currently being compensated. The data collected in this survey seeks to give lending institutions, their SBA Group Manager and employees a better understanding of the current compensation trends and their implications for the entire industry going into 2012.

Data collected

This is a summary report of the data collected from an industry survey taken this year. The respondents represent a very even representation from around the country. Moreover, as you will see in several of the charts, we had a very even distribution of responses among the "size of loan programs." Overall, we feel strongly that the substantial number of responses gives significant credibility to the information presented in this report.

Reading and interpreting the data

Most readers will want to immediately jump to their particular job title and read with enthusiasm the results, so that they can evaluate how they compare to national averages—not so fast! What we have discovered in the annual survey is that a significant number of variables can affect compensation. When several of these variables are taken into consideration, it becomes evident that attempting to compare "apples to apples" is almost impossible. While the summary data can give insight into ranges of compensation for a specific job type, there are other variables that make it very difficult to compare why one person makes more than a person with a similar job at another lending institution.

Variables that effect compensation

1. Type of lending institution (bank, non-bank, CDC, credit union)
2. Size of loan program ($10 to $20 million vs. $100 to $400 million annual loan volumes)
3. Age of the lending program (young program with big growth goals vs. established program looking to maintain annual loan volumes)
4. Business model (department that sells loans vs. department that holds all loans)
5. Regional issues - some areas of the country have an abundance of talent while others have very little talent to draw upon (supply and demand)
6. Size of the average loan (focus on real estate vs. focus on SBA Express)
7. Versatility of the employee (those that only have done one aspect of SBA lending, such as credit vs. those that can literally do every job required in a department)
8. Incentive programs (some pay a larger base salary with little to no additional incentives vs. lower base salary and higher incentives).

Think carefully before you approach your supervisor and use the data from this report to support your request for a raise. A report of this nature simply cannot provide the specific data you would need.

In fact, a computer model had to be developed to interpret the data. As a result, information can be gathered in very defined formats for individual job titles that take into consideration most of the variables identified above. This should prove very useful for budgeting, departmental growth, employee retention, and especially, in starting a new department. (*Customized reports can be obtained by contacting Tim@sbasearch.com*).

One other challenge was that multiple job titles were reported. Many respondents reported more than one job title, simply because they are in small departments where they are required to do more than one task. We also found that a loan processor was often referred to a loan closer and vice versa, thus requiring a broad definition to a specific job description.

The charts that follow attempt to present data in as simple a format as possible. It is also very important to note that ALL of the salary information presented is **simply reporting the base salary** unless otherwise noted and does NOT include incentives unless specifically noted. While we have the data to support which job titles receive incentives, which types of incentives are offered, and even what percentage of the respondents receive incentives, we have not assimilated enough information to give you TOTAL compensation, with the exception of manager positions and business development officers.

Summary of findings:

Less SBA talent available

After the fall of Lehman in September of 2008 and the subsequent virtual shutdown of lending, several thousand SBA lending staff lost their jobs. During the following two years, quarterly surveys were conducted by Terry & Associates with the objective of measuring SBA lending activity during the recession, which included employment cut backs and new hiring. Based on these surveys, our estimate is that those laid off represented more than 35% of the then existing talent pool.

A large number of these SBA lenders have since found gainful employment back in SBA. However, many have moved on to other careers or have become unemployable. The fact is that many hiring managers are currently refusing to interview any candidate who has been unemployed in SBA lending over the past several years, since the SBA has issued so many policy changes during this timeframe.

Is it easier to hire someone new to SBA and train them or hire an experienced SBA lender who has been out of work during the recession and bring them back up to speed with SBA policy changes? While I have strong feelings toward the latter, it does not change the fact that current industry demand will require more new talent.

There is not enough new talent being hired

Only 13% of the respondents have been in the industry for less than 5 years, **pointing to an urgent need to hire and train new talent**. Without "new blood" in the industry, compensation will necessarily continue to rise for the *87% of seasoned professionals*. Training programs have never been more available. NAGGL, Coleman, Regional SBA associations and even some industry vendors are offering training courses throughout the year. There are many regional and customized in-house training events. There simply are no excuses for not training new staff.

Expertise is a mandate.

Throughout the last 10 years, the SBA has continued to shift more and more responsibilities onto lenders. Along with this has come an increase in SBA guaranty repairs. Hiring someone with strong experience and a good track record of performance does require more compensation. When considering the cost of a single loan guaranty loss or significant repair, it is easy to understand why lenders will pay more for this level of experience.

Adding to the challenge is the large number of new lenders to the SBA loan program. Knowing that you cannot "tip toe" into SBA lending, these new SBA lenders are going after "expertise". And recognizing that a few loans sold on the secondary market will more than pay the higher compensation, there appears to be no hold back to obtain the best and the brightest for their new small business lending program.

Salaries have returned to pre-recession levels

Most salaries are at the 2008 pre-recession level except for 2 job classifications; servicing/liquidations and business development. The first has seen a rise of approximately 22% to 25% due to the increase over the past 3 years of loan servicing issues and liquidation of loans, which in turn, has created a demand for a short supply of those with the necessary experience and skill set. This is definitely one staff function where lenders appear to only want seasoned professionals (and are willing to pay for such.)

Business development officers have gone the other direction. For the first time since the mid-1990s, respondents reported that 37% are making a base of $60,000 or less. Following this, these same respondents revealed that with the lower base comes a much higher incentive compensation. In all, based on the BDO respondents, since 2008, the number of BDOs making more than $200,000 has been cut in half. This is further discussed in Section Four.

More comprehensive reports may be needed

The market has, once again, become competitive for seasoned SBA lending professionals. This report seeks to show current compensation and incentive programs based on size and type of lending institution. However, customized reports can be produced for specific job titles and break them down into geographic regions and size of SBA department. These customized reports could be vital to ensuring competitive salaries for your staff as well as providing third party support for budgetary planning. For more information and cost for customized reports, please contact Tim Terry at tim@sbasearch.com.

Special Note: This report does not include performance dynamics except for BDO's. How many applications should a credit analyst or loan processor be able to process in a given month? How big a portfolio should a loan servicer be able to handle? These questions require significant additional information than the survey gathered. SBA lending programs simply are too different. Some are high touch – low volume, while others are low touch – high volume. Some credit memo's require spreads, plus a simple 4 to 6 page credit memo. Others can require 20 plus pages of credit analysis. Production performance can be determined based on the lender's specific program. For more information on obtaining production performance information, please contact tim@sbasearch.com.

Available Reports

As a result of the survey, we have put together data in the following three reports:

1. **The Business Development Officer Compensation Report for 2012**

This special report details the changes that have occurred in BDO compensation since the economic declined started in October of 2008. In addition, it provides current data on:

- Experience Levels
- Production Goals set by the Lending Institution
- Actual Annual Loan Production Achieved
- Base Salaries of all Respondents
- Salary ranges based on years of experience
- Average salaries based on years of experience
- Incentive Compensation as a % of Total Compensation
- Approximate $ value of Incentive Compensation (excluding base salary)
- Basis for calculation of Incentive Compensation
- Designing BDO compensation plans

This Report Can Be Purchased By Clicking Here

2. **The SBA Manager's Compensation Report for 2012**

This special report breaks down compensation and incentive plans for SBA managers in the following classifications:

1. Closing Manager
2. Credit Manager
3. Servicing and Liquidations (SAG) Manager
4. Sales Manager
5. SBA Group Manager (Dept Mgr) for those responsible for Sales and Operations

In each of these classifications the report details a substantial amount of data including:

- Institutional Loan Volume both 7(a) and 504
- Experience Level
- Base Salaries
- Types of Incentives
- Incentive Compensation as a % of Total Compensation
- Current trends in manager compensation including incentive comp

This Report Can Be Purchased By Clicking Here

3. SBA Lending – Industry Compensation Report for 2012

This is a comprehensive industry wide report which includes the BDO Compensation Report, the Manager's Compensation Report and a detail breakdown of compensation for the following job classifications:

1. Loan Processors / Closers / Funders
2. Credit Analyst
3. Loan Servicers
4. Loan Liquidations and Special Assets

In each of the above, data is provided for:

- Experience Level
- Base Salaries
- Salary ranges based on experience
- Average salaries based on experience
- Types of Incentive Compensation

This Report Can Be Purchased By Clicking Here

About the Author

Tim Terry is President of Terry & Associates, Inc. Since 1992 Tim has been providing executive search and consulting services to banks and non-banks who provide Small Business Administration (SBA) government guaranteed loans. The company has also set up new SBA lending departments for banks interested in the many incentives and market advantages that SBA lending can provide. Tim is also a frequent speaker on the SBA industry and has testified before Congress on behalf of small business lending.

For more information, contact Tim Terry at 940.381.6200 or tim@sbasearch.com.