

COLEMAN REPORT

The SBA Lender's Industry Information Source

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2002 SBA Lender Compensation Survey

Our Eighth Annual Survey Reveals Nominal Compensation Increases

Double-digit increases in compensation paid to SBA lending professionals came to a screeching halt in 2001. For SBA lenders who produced greater than \$20 million, department managers realized only a 4% increase in compensation while business development officers barely registered a 1% increase.

These findings were uncovered during the *Coleman Report's* eight annual compensation survey of SBA department managers and business development officers.

Responses from lenders were gathered in one of two ways. First, we invited lenders to complete a survey form. Second, we chose additional lenders to survey by telephone to complete size and geographic balance. Fifty-three lenders responded to our survey.

There was a natural break in the responses. Lenders generally fell into two categories, those that generated more than \$20 million in SBA 7(a) loans and those that generated less than \$12 million. Our analysis includes these natural breaks.

Greater Than \$20 Million in SBA 7(a) Loan Annual Volume

SBA Department Manager Total Compensation	\$ 135,000	+ 4%
SBA Typical BDO Total Compensation	\$ 97,500	+ 1%
Elite SBA BDO Total Compensation	\$ 208,000	+ 1%

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COLEMAN REPORT-APRIL 1, 2002

Less Than \$12 Million in 7(a) Annual Volume

SBA Department Manager Total Compensation	\$ 95,000	+ 1%
SBA Typical BDO Compensation	\$ 65,000	+ 2%
Elite SBA BDO Total Compensation	\$ 85,000	+10 %

Costs of Producing an SBA 7(a) Loan

(Costs as a Percentage of SBA 7(a) Loan Volume)

SBA Department Manager (Over \$20 Million Loan Volume)	0.30%
SBA Department Manager (Less than \$12 Million Loan Volume)	1.00%
SBA Typical BDO (Over \$20 Million Lender Loan Volume)	1.71%
SBA Typical BDO (Less than \$12 Million Lender Volume)	1.86%
Elite SBA BDO (Over \$20 Million Lender Loan Volume)	1.60%
Elite SBA BDO (Less than \$12 Million Lender Volume)	1.55%

Compensation Costs of Producing an SBA 7(a) Loan

The above chart reflects the amount of total compensation SBA lending professionals receive for producing an SBA 7(a) loan.

Total compensation includes base salary, commissions and bonus.

For example, an SBA department manager of a large lender receives .3%, or \$3,000 for every \$1 million generated.

A manager of a smaller department receives \$10,000 for \$1 million of 7(a) loan generated.

BDO Compensation Continues to Fall

Business development officer (BDO) compensation has fallen 11% in the last two years.

In 1999, BDO compensation was 2%. Today it's 1.8%—for a current range of \$15,500 to \$18,600 for every \$1 million of SBA 7(a) loans.

Elite BDOs have also seen their compensation fall—from 1.8% to 1.6%.

Decreased lender profitability in their SBA lending programs during the past several years has finally filtered down to BDO compensation costs.

COLEMAN REPORT—APRIL 1, 2002

2001 SBA Loan Department Manager Compensation

	Greater than \$20 million	Less than \$12 million
2001 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$ 135,000	\$ 95,000
2000 Average Total Compensation	\$ 130,000	\$ 94,000
2001 Average Total Compensation Percentage Change	+ 4%	+ 1%
2001 Average Base Salary	\$ 105,000	\$ 75,000
2001 Highest Survey Base Salary	\$ 130,000	\$ 87,500
2001 Lowest Survey Base Salary	\$ 72,500	\$ 60,000
2001 Highest Total Compensation	\$ 195,000 (California)	\$ 112,000 (Florida)
2001 Lowest Total Compensation	\$ 107,000 (Midwest)	\$ 75,000 (California)
2001 Compensation as a Percentage of Gross Loan Volume	.30%	1.00%
Percentage Earning Commissions	6%	0%
Percentage Earning Bonus	100%	100%
Bonus as a Percentage of Total Income	21%	22%

Behind the SBA Loan Department Manager Numbers

The *Coleman Report's* eighth annual SBA lender compensation survey reveals nominal increases in producing and managing SBA 7(a) loan generation.

SBA Department managers of lenders with loan volume greater than \$20 million received a 4% compensation increase while smaller volume lenders received a 1% increase in total compensation.

Lenders who produced more than \$20 million also experienced significant cost savings for their loan volume.

SBA Department Manager compensation for large lenders was only .30% of the gross loan, while lenders who produced less than \$11 million had a manager cost of 1%.

COLEMAN REPORT–APRIL 1, 2002

2001 SBA Typical Business Development Officer Compensation

	Greater than \$20 Million	Less than \$12 million
2001 7(a) Average Loan Production	\$ 5,700,000	\$ 3,500,000
2001 Highest 7(a) Loan Production	\$ 7,000,000	\$ 5,000,000
2001 Lowest 7(a) Loan Production	\$ 4,500,000	\$ 2,250,000
2001 Average Total Compensation (Includes Base Salary Commissions and Bonus)	\$ 97,500	\$ 65,000
Percentage Increase from 2000	1%	2%
2001 Average Base Salary	\$ 61,000	\$ 52,500
2001 Highest Survey Base Salary	\$ 72,000	\$60,000
2001 Lowest Survey Base Salary--Other than Zero	\$ 45,000	\$36,000
2001 Highest Total Compensation	\$ 125,000 (California)	\$ 85,000 (California)
2001 Lowest Total Compensation	\$ 72,000 (Texas)	\$ 42,000 (Midwest)
2001 Compensation as a Percentage of Gross Loan Volume	1.71%	1.86%
Percentage Earning Commissions	100%	93%
Commission Income as a Percentage of Total Salary	37%	19%
Percentage Earning Bonus	25%	50%

Behind the SBA Typical BDO Numbers

Lenders were asked to provide numbers for their average producing SBA 7(a) BDO. For example, if the lender has five BDOs, compensation and volume information was provided for the BDO who ranked third in loan production.

Typical SBA BDO compensation registered minimal increases over last year, 1% to 2%.

Productivity in large lenders lagged, down from \$6 million to \$5.7 million

Small lenders had their typical BDO increase production from \$3.2 million to \$3.5 million.

COLEMAN REPORT--APRIL 1, 2002

2001 SBA 7(a) Elite BDO Officer Compensation

	Greater than \$20 Million	Less than \$12 million
2001 7(a) Average Loan Production	\$ 13,000,000	\$ 5,500,000
2001 Highest 7(a) Loan Production	\$ 17,000,000	\$ 7,500,000
2001 Lowest 7(a) Loan Production	\$ 7,500,000	\$ 5,000,000
2001 Average Total Compensation (Includes Base Salary Commissions and Bonus)	\$ 208,000	\$ 85,000
Percentage Increase from 2000	1%	10%
2001 Average Base Salary	\$ 69,000	\$ 60,000
2001 Highest Survey Base Salary	\$ 95,000	\$ 67,500
2001 Lowest Survey Base Salary--Other than Zero	\$ 52,000	\$ 52,500
2001 Highest Total Compensation	\$ 325,000 (Northeast)	\$ 125,000 (California)
2001 Lowest Total Compensation	\$ 100,000 (California)	\$ 60,000 (California)
2001 Compensation as a Percentage of Gross Loan Volume	1.60%	1.55%
Percentage Earning Commissions	100%	100%
Commission Income as a Percentage of Total Salary	67%	29%
Percentage Earning Bonus	80%	15%

Behind the Elite BDO Officer Numbers

The best-of-the-best SBA BDOs-- the lender's top BDO--continues to average more than \$200,000 in total compensation.

But lenders are paying less for the elite BDO's product.

For large lenders, compensation has dropped from 1.65% to 1.60%.

Smaller lenders saw their elite BDOs produce more loans last year--from \$5 million to \$5.5 million.

Those BDOs were rewarded with a 10% compensation increase, while lenders realized a significant cost savings by reducing their BDO cost from 2.25% to 1.55%

COLEMAN REPORT-APRIL 1, 2002

SBA Department Manager Challenges for 2002

Survey respondents were asked to list their toughest challenge in 2002.

Only one response was allowed.

The top five concerns for 2002 are:

- 1) Adequate Loan Servicing
- 2) Back-Room Processing
- 3) Hiring/Retaining the Right Personnel
- 4) Increased Loan Volume Production
- 5) Merger-Related Issues

Final Observations

Geographic Bias

We were not able to determine a geographic bias for compensation for SBA lending professionals.

Matrix

Most lenders have adopted a compensation matrix to calculate a BDO's commission.

Common 7(a) matrix factors include:

- Loan Amount
- Guaranty Percentage
- Term
- Interest Rate
- Amount of Referral Fee Paid

Additionally, most lenders pay a higher commission rate after the BDO reaches certain production goals.

This amount ranged from \$4 million to \$7 million.

SBA Department Manager Challenges for 2002

- 1) Adequate Loan Servicing
- 2) Back-Room Processing
- 3) Hiring/Retaining the Right Personnel
- 4) Increased Loan Volume Production
- 5) Merger-Related Issues

BDO Workload

We wanted to evaluate if there was a correlation between the amount of work a BDO does on the loan package and compensation.

Lenders were asked, "On a scale of 1 to 5, how much work does the BDO perform on an average 7(a) loan with a 5 requiring the BDO to prepare the complete loan pack-

age down to a 1 where the BDO simply provides a referral name."

- 5-Complete Loan Package-4%
- 4-16%
- 3-Basic Information-68%
- 2-12%
- 1-Name Only-0%

We concluded there is no industry trend linking the amount of BDO compensation with the amount of work required by the BDO.

504 Loans

Whether or not the **Bush** Administration's plan to move 7(a) real estate loans into the 504 loan program materialize, we will include 504 loan production in next year's survey.

