

COLEMAN REPORT

The SBA Lender's Industry Information Source

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2007 SBA BDO Compensation Survey

Industry cools off with a Modest 3.5% Increase

Historical, double digit increases in SBA business development officer compensation were not realized in 2006 as lenders continue to sharpen their pencils with SBA BDO comp plans.

Keen competition and reduced commission structures for 504 loans, compared to 7(a) loans, kept SBA BDO compensation in line with all average corporate compensation of less than 4% in 2006.

However, top producers continue to fare better than industry averages. These BDOs saw an increase in their total compensation package of 6%.

We define total compensation as base salary, commissions and bonus.

BDOs who produce between \$12 million and \$20 million received an 8% increase in 2006, while those that produced between \$10 million and \$12 million received 5%.

For BDOs who produced less than \$10 million their compensation remained flat with no increase.

We received the most feedback from this year's survey ever — well over 200 responses.

And we continue to monitor the growth of 504 loans. Last year, 20% of a BDOs loan volume came from 504 loans — this year the number jumped dramatically to 30%.

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Trends in SBA BDO Compensation

Compensation as a Percentage of Loan Volume	2006	2005	2004	Compensation Cost per \$1 million in Loans	Percent Change
Over \$20 million	1.21%	1.14%	1.18%	\$12,100	+6%
\$12 to \$20 Million	1.36%	1.26%	1.34%	\$13,600	+8%
\$10 to \$12 Million	1.41%	1.34%	1.06%	\$14,100	+5%
\$6 to \$9 Million	1.60%	1.59%	1.41%	\$16,000	0%
Less than \$6 Million	2.40%	2.42%	2.67%	\$24,000	0%

Average Total Compensation	2006	2005	2004	Percent Change
Over \$20 million	\$291,000	\$293,500	\$303,000	-1%
\$12 to \$20 Million	\$195,000	\$187,000	\$190,000	+4%
\$10 to \$12 Million	\$150,000	\$148,000	\$117,000	+1%
\$6 to \$9 Million	\$129,000	\$118,750	\$112,750	+8%
Less than \$6 Million	\$82,500	\$91,000	\$92,000	-9%

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Compensation Table for BDOs who Produce over \$20 million in SBA 7(a) and 504 1st position loans

2006 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$291,000
2006 Average Base Salary	\$80,000
2006 Highest Survey Base Salary	\$125,000
2006 Lowest Survey Base Salary	\$65,000
2006 Highest Total Compensation	\$425,000
2006 Lowest Total Compensation	\$195,000
2006 Compensation as a Percentage of Gross Loan Volume	1.21%
Commission Income as Percentage of Total Salary	56%
Percentage Earning Bonus	75%
Bonus Income as Percentage of Total Salary	9%
Percent of Production in 7(a)	65%
Percent of Production in 504	35%

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Compensation Table for BDOs who Produce between \$12 million and \$20 million in SBA 7(a) and 504 1st position loans

2006 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$195,000
2006 Average Base Salary	\$74,000
2006 Highest Survey Base Salary	\$90,000
2006 Lowest Survey Base Salary	\$55,000
2006 Highest Total Compensation	\$377,500
2006 Lowest Total Compensation	\$110,000
2006 Compensation as a Percentage of Gross Loan Volume	1.36%
Commission Income as Percentage of Total Salary	62%
Percentage Earning Bonus	18%
Bonus Income as Percentage of Total Salary	3%
Percent of Production in 7(a)	74%
Percent of Production in 504	26%

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Compensation Table for BDOs who Produce between \$10 million and \$12 million in SBA 7(a) and 504 1st position loans

2006 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$150,000
2006 Average Base Salary	\$78,500
2006 Highest Survey Base Salary	\$125,000
2006 Lowest Survey Base Salary	\$45,000
2006 Highest Total Compensation	\$253,000
2006 Lowest Total Compensation	\$95,000
2006 Compensation as a Percentage of Gross Loan Volume	1.41%
Commission Income as Percentage of Total Salary	45%
Percentage Earning Bonus	50%
Bonus Income as Percentage of Total Salary	4%
Percent of Production in 7(a)	80%
Percent of Production in 504	20%

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Compensation Table for BDOs who Produce between \$6 million and \$9 million in SBA 7(a) and 504 1st position loans

2006 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$129,000
2006 Average Base Salary	\$73,000
2006 Highest Survey Base Salary	\$78,000
2006 Lowest Survey Base Salary	\$60,000
2006 Highest Total Compensation	\$200,000
2006 Lowest Total Compensation	\$80,000
2006 Compensation as a Percentage of Gross Loan Volume	1.60%
Commission Income as Percentage of Total Salary	41%
Percentage Earning Bonus	33%
Bonus Income as Percentage of Total Salary	2%
Percent of Production in 7(a)	67%
Percent of Production in 504	33%

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Compensation Table for BDOs who Produce less than \$6 million in SBA 7(a) and 504 1st position loans

2006 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$82,500
2006 Average Base Salary	\$72,000
2006 Highest Survey Base Salary	\$95,000
2006 Lowest Survey Base Salary	\$60,000
2006 Highest Total Compensation	\$111,000
2006 Lowest Total Compensation	\$63,000
2006 Compensation as a Percentage of Gross Loan Volume	2.40%
Commission Income as Percentage of Total Salary	7%
Percentage Earning Bonus	13%
Bonus Income as Percentage of Total Salary	7%
Percent of Production in 7(a)	68%
Percent of Production in 504	32%

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SBA BDO's Biggest Challenge for 2007

	Percentage
Competition with Convention, Fixed Rate and 504 Loans	47%
Credit Box has become more Restrictive	17%
Underwriting/Loan Packaging Process is too Slow	10%
Meeting Loan Production Goals	7%
\$2 Million Maximum Loan Amount	7%

Selected Comments:

“The competition is giving away the money. It’s stupid!!!! Doesn’t anyone want to make money anymore? Just watch those returns on assets crumble away. Eventually they will wake up!”

“Our backoffice is struggling to keep with my loan volume.”

“Bank credit policy is getting more and more conservative. New competition in the market-place is coming in and does NOT truly understand the programs. This results in misinformation and false hopes to the client.”

“Pricing among lenders seems too low for the risk associated with SBA 7(a) loans. 504 still offers better rates. The B&I loan program seems to offer the best alternative at this time.”

“Competing with community banks who are offering conventional loans on deals that have historically gone SBA.”

