

COLEMAN REPORT

The SBA Lender's Industry Information Source

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September 1, 2006

Volume 14, Number 15--Issue #287

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2006 SBA BDO Compensation Survey **Huge Increases for Solid Performers**

The increasing popularity of SBA's 504 loan program has revamped the way SBA business development officers do business.

504 loan production now accounts for one-third of a SBA business development's volume. Last year it was 25%.

And everyone is scrambling to figure out how to compensation BDOs for this increase.

The results of this year's survey show BDOs make approximately 20% less commission for 504 first position loans, than for 7(a) loans.

Some lenders will pay a smaller commission. Some will not give credit for 504 that would move a BDO into a higher commission bracket. For example, let's say a BDO makes an average 1% commission for a 7(a) loan. After \$5 million of volume the average commission increases to 1.5%. Some lenders will not allow 504 loans to count in annual production.

In any event, 504 loans must now be considered in analyzing an SBA BDOs compensation.

For 2006, lenders are receiving greater value from established producers. Lenders are paying significantly more for those who produce between \$6 million to \$12 million a year.

We had over 200 responses to this year's survey.

The *Coleman Report* is published 23 times per year, semimonthly, except for December 31, by Coleman Publishing.

Subscription price is \$697 per year. Additional subscriptions to the same location are only \$127.

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The key statistic in SBA business development officer (BDO) compensation is how much the lender pays the individual as a percentage of the loan amount — total compensation divided by the BDO's SBA loan production.

Lender's are realizing volume efficiencies for producers generated over \$12 million annually. BDO compensation for those who generate \$6 million to \$12 million annually increased significantly — 17%.

Compensation as a Percentage of Loan Volume	2005	2004	Compensation Cost per \$1 million in Loans	Percent Change
Over \$20 million	1.14%	1.18%	\$11,400	-3%
\$12 to \$20 Million	1.26%	1.34%	\$12,600	-6%
\$10 to \$12 Million	1.34%	1.06%	\$13,400	+24%
\$6 to \$9 Million	1.59%	1.41%	\$15,900	+13%
Less than \$6 Million	2.42%	2.67%	\$24,200	-10%

Average Total Compensation	2005	2004	Percent Change
Over \$20 million	\$293,500	\$303,000	-3%
\$12 to \$20 Million	\$187,000	\$190,000	-2%
\$10 to \$12 Million	\$148,000	\$117,000	+26%
\$6 to \$9 Million	\$118,750	\$112,750	+5%
Less than \$6 Million	\$91,000	\$92,000	-1%

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

2005 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$293,500
2005 Average Base Salary	\$77,000
2005 Highest Survey Base Salary	\$90,000
2005 Lowest Survey Base Salary	\$60,000
2005 Highest Total Compensation	\$407,000
2005 Lowest Total Compensation	\$200,000
2005 Compensation as a Percentage of Gross Loan Volume	1.14%
Commission Income as Percentage of Total Salary	66%
Percentage Earning Bonus	75%
Bonus Income as Percentage of Total Salary	7%
Percent of Production in 7(a)	59%
Percent of Production in 504	41%

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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

2005 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$187,000
2005 Average Base Salary	\$74,000
2005 Highest Survey Base Salary	\$90,000
2005 Lowest Survey Base Salary	\$60,000
2005 Highest Total Compensation	\$303,000
2005 Lowest Total Compensation	\$105,000
2005 Compensation as a Percentage of Gross Loan Volume	1.26%
Commission Income as Percentage of Total Salary	58%
Percentage Earning Bonus	38%
Bonus Income as Percentage of Total Salary	3%
Percent of Production in 7(a)	65%
Percent of Production in 504	35%

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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

2005 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$148,000
2005 Average Base Salary	\$76,000
2005 Highest Survey Base Salary	\$150,000
2005 Lowest Survey Base Salary	\$60,000
2005 Highest Total Compensation	\$230,000
2005 Lowest Total Compensation	\$100,000
2005 Compensation as a Percentage of Gross Loan Volume	1.34%
Commission Income as Percentage of Total Salary	38%
Percentage Earning Bonus	50%
Bonus Income as Percentage of Total Salary	10%
Percent of Production in 7(a)	65%
Percent of Production in 504	35%

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Compensation Table for BDOs who Produce between \$6 million and \$10 million in SBA 7(a) and 504 1st position loans

2005 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$118,750
2005 Average Base Salary	\$66,000
2005 Highest Survey Base Salary	\$95,000
2005 Lowest Survey Base Salary	\$50,000
2005 Highest Total Compensation	\$163,000
2005 Lowest Total Compensation	\$65,000
2005 Compensation as a Percentage of Gross Loan Volume	1.59%
Commission Income as Percentage of Total Salary	39%
Percentage Earning Bonus	42%
Bonus Income as Percentage of Total Salary	5%
Percent of Production in 7(a)	66%
Percent of Production in 504	34%

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

2005 Average Total Compensation (Includes Base Salary, Commissions and Bonus)	\$91,000
2005 Average Base Salary	\$68,750
2005 Highest Survey Base Salary	\$130,000
2005 Lowest Survey Base Salary	\$50,000
2005 Highest Total Compensation	\$140,000
2005 Lowest Total Compensation	\$65,000
2005 Compensation as a Percentage of Gross Loan Volume	2.42%
Commission Income as Percentage of Total Salary	21%
Percentage Earning Bonus	55%
Bonus Income as Percentage of Total Salary	4%
Percent of Production in 7(a)	87%
Percent of Production in 504	13%

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SBA BDO's Biggest Challenge for 2006

	Percentage
Competition with Fixed Rate and 504 Loans	36%
Rising Interest Rates	34%
Finding Deals	8%
Underwriting/Loan Packaging Process is too Slow	5%
Keeping Pace with Last Year	5%
Time Management	5%
Learning the Program	5%
Remain at Current Lender or Leave	3%

Selected Comments:

“The industry appears to be slowing. Also, facing competition from conventional lenders with aggressive programs such as 90% fixed rate financing for 30 years.”

“High rates on 7(a), many more competitors. CDCs are getting into direct sales/lead generation. Limited inventory and high prices for industrial/commercial real estate.”

“Rising interest rates and big banks taking out variable rate loans at ungodly low fixed rate products.”

“Rising interest rates and weakening of credit standards by other institutions.”

“The market dictates more 504 and conventional loans which do not pay as well as SBA.”

