

**Small Business**  
**Loan and Deposit Products**  
**Overview**

SAMPLE

## Table of Contents

Overview.....	3-7
Loans.....	8
Term Loans.....	8
Mortgage Loans.....	8
Lines of Credit.....	8
Letters of Credit.....	9
Construction Loans.....	9
Overdraft Protection.....	9
Business Credit Card.....	10
Loan Monitoring Requirements.....	10
Deposits/Shares.....	11
Basic Business Checking.....	11
Commercial Business Checking.....	11
Business Payroll Checking.....	12
Business Tax Account Checking.....	12
Merchant Services Checking.....	12
Business Savings.....	13
Business Money Market.....	13
Other Products/Services.....	14
Wire Transfers.....	14
Night Box Services.....	14
Business Debit Card.....	14
Business Debit Card Tied to Line of Credit.....	14
Merchant Services.....	15
Prepaid Gift Cards.....	15
Prepaid Payroll Cards.....	15
Account Transfers.....	15
Electronic Bill Payment.....	16
Retirement Services.....	16
Human Resources/Payroll and Healthcare Benefits Services.....	16
Commercial Insurance.....	17
Future Product and Service Opportunities.....	17
Summary.....	18
Addendum A.....	21-22

## Overview

### Meeting Marketplace Needs:

In order to survive, small businesses must provide quality products and service to their customers. Small business owners expect nothing less from their financial institution. . Choosing the right products or combination of products can be confusing. Understanding your market and needs of your member businesses is key. Providing those products and training staff to sell and market and deliver those products is also critical. To aide you in this effort, this document was compiled with basic information about each product or service, basic fee and interest income information as well as business marketplace target information and other considerations.

Business owners are looking for:

- Efficient low cost ways to pay suppliers
- Efficient low cost ways to pay employees
- The ability to quickly and easily view all accounts held with an institution on-line
- Ways to reduce trips to the credit union
- Efficient low cost ways to remit tax obligations
- Easy access to a variety of credit products at competitive rates
- Traditional deposit products at competitive rates and low fees
- Efficient low cost ways to better manage cash
- Credit union staffers who take a genuine interest in understanding and knowing the member business and its needs
- A high level of personal service from knowledgeable credit union staff members

## Loan Products

Lines of credit are the most popular form of financing obtained by small businesses. Following lines of credit in popularity are term loans, then commercial mortgages.<sup>3</sup>

### **Term Loans-**

**Features/Functions-** Typically provide for the acquisition of equipment or other fixed assets to be repaid overtime as fixed asset depreciates.

**Term-**Typically matches the depreciable life of the asset financed (7-10 years); can not exceed 12 years for federally charter credit unions

**Amortization-**Typically matches the Term

**Interest Rate-**Typically fixed; can be variable

**Considerations-**Make sure terms in loan note can be performed by your core processor; level principal, principal plus interest, interest plus principal, etc

**Target-** All companies

### **Mortgage Loans-**

**Features/Functions-** Typically provide for the acquisition of real estate to be repaid overtime as improvements on property depreciate.

**Term-** Can not exceed 12 years for federally charter credit unions

**Amortization-**Typically 15-20 years

**Interest Rate-**Typically fixed; can be variable; can be fixed for a short period then variable

**Considerations-**The term limit can make you less competitive; extension of the amortization period beyond the term allows you to remain competitive and to keep the monthly loan payments at a reasonably affordable amount; make sure terms in loan note can be performed by your core processor; level principal, principal plus interest, interest plus principal, balloon or terms less than amortization period, etc

**Target-**Established companies

### **Lines of Credit-**

**Features/Functions-** Typically provide working capital

**Term-** N/A; typically subject to annual review and renewal by the issuing institution

**Amortization-**n/a

**Interest Rate-**Typically variable

**Considerations-**Lines are billed interest only; principal is repaid at the discretion of the borrower; make sure core processor can handle these terms; also make sure core processor can track and account for high limit easily in current aggregate exposure. It is not uncommon to charge a non-usage fee on these types of accounts.

**Target-**All companies; particularly start ups or companies in the embryonic stage of business life cycle

---

<sup>3</sup> According to 2002 The Tower Group, Inc's report-At the Core-Small Business Credit and Depository Needs