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What We Can Learn From Successful PPP Lenders On How To Serve Small Businesses

Five credit unions shares insights from their Paycheck Protection Program efforts.



[By Sharon Simpson](#)

Top-Level Takeaways

- Despite challenges, credit unions found ways to adapt and meet the needs of their current members and local small business owners.
- From funding more loans than any other lender in its state to approving 100% of applications, each of these vastly different-sized institutions had an outsized impact on their local communities.
- All five have seen additional commercial accounts move to the credit union as small businesses recognize and benefit from the relationship-driven cooperative difference.

After analyzing Treasury Department data on the [number of jobs saved](#) by credit union lending and publishing an overview of the [top cooperative lenders by state, and nationally](#), for the Paycheck Protection Program (PPP), we spoke at length with five credit unions of various sizes and geographic regions to learn how the program has helped their institutions strengthen business relationships and how cooperatives can support small businesses moving forward.

A History of Serving Small Businesses

One thing all five credit unions have in common is a history of offering business services, specifically loans and deposit accounts.

CU QUICK FACTS

Mountain America Credit Union

DATA AS OF 06.30.20

HQ: Sandy, UT

ASSETS: \$11.0B

MEMBERS: 915,673

BRANCHES: 97

12-MO SHARE GROWTH: 23.7%

12-MO LOAN GROWTH: 20.3%

ROA: 1.31%

[Mountain America Credit Union](#) (\$11.0B, Sandy, UT) has offered business loans for over 25 years and business deposit accounts since 2002. With roughly 60,000 business members and over 9,000 commercial loans, one of the largest credit union PPP lender notes that they have seen many repeat borrowers over the years.

[VyStar Credit Union](#) (\$9.5B, Jacksonville, FL) has been serving small business for about 10 years, though its specific focus on business lending has calcified in the past five years. Through its concerted efforts, the cooperative's business loan portfolio has grown from \$200 million in 2018 to nearly \$800 million today.

[Idaho Central Credit Union](#) (\$6.0B, Chubbuck, ID) has been offering business loans and services since 2008. Their current portfolio consists of over \$800 million in member business deposits and over \$700 million in business loan exposure. The cooperative has more than 20,000 business accounts with a good percentage of those members using Idaho Central as their primary financial institution.

[BHCU](#) (\$194.2M, Ridley Park, PA) has been offering business services for nearly five years. Their Delaware County field of membership is full of traditional small businesses and the credit union serves approximately 500 of them. Its business members include mom and pop shops, plumbers, electricians, and contractors, businesses that are most likely to be underserved or underbanked by larger financial institutions. The cooperative provides these members with more than just a loan, as delivering real value for businesses is part of its brand promise.

[Platinum Federal Credit Union](#) (\$179.2M, Duluth, GA) is a relatively young credit union established twenty years ago to serve the small business community. A high percentage of their approximately 1,200 business accounts are used as primary checking accounts by retail businesses with heavy cash needs, including local small businesses that sell money orders. This has led the cooperative to partner with armored services, offering same day credits and cash pick-ups. Platinum believes these are much-needed services that many banks have eschewed in recent years, providing an opportunity for credit unions.

Addressing Immediate Needs, Overcoming PPP Challenges

"It taxed all of us and took courage to be the first to launch," says Mike Turner, CLO for Mountain America. Even without complete information from the Small Business Administration (SBA), the cooperative began using its own application. In addition, its leaders reached out internally for reinforcements to handle the volume. Training was quickly rolled out and all areas of the credit union lent support. "We rallied the troops and just did it," Turner says. Those troops worked around the clock for several weeks; knowing that the intense pace would not last forever, MACU also tried to support staff by bringing food in and ensuring breaks were taken along the way.

"It was a lot of blood, sweat and tears," says Jenny Vipperman, CLO for VyStar Credit Union. Despite its status as an approved SBA lender, the credit union had never originated an SBA loan prior to PPP's beginnings. Instead, the cooperative relied on a vendor partner to handle SBA originations and planned to do the same with PPP as all their internal business lending resources were supporting a partnership with the city of Jacksonville. A single day into PPP, however, that partner couldn't handle the volume and had to shut down. "Our chief experience officer, chief

information officer, and I got together and decided that we were going to originate these ourselves,” says Vipperman. That meant leaders spent nights and weekends working with programmers to create a new application process utilizing bots — a team of 20 held calls several times a day to make it work. But once the newly developed app was up and running, there was another curveball for the credit union to address: the SBA had shut down the use of bots.

We had a great staff of commercial underwriters, processors, and loan officers that were able to learn the program and get it off the ground fast. As we began to see a flood of applications, we mobilized employees from throughout the organization to assist the commercial team in processing them.

Jarom Campbell, VP of Commercial Credit Administration, Idaho Central Credit Union

“At that point, we had 75 people take on the manual work,” says Vipperman. Again, that required working nights to manually enter applications in the SBA’s system, which was crashing during the day. “My CEO, myself, so many of us were doing this because we had to serve our members,” she says. This was especially important as some members who applied early on through the credit union’s vendor had to reapply. It wasn’t until current business members and VyStar’s 750,000 retail members were squared away, that the cooperative opened PPP applications to the entire community. “We encouraged everyone to apply, whether they had one employee or 500,” notes Vipperman. A small-business friendly process whereby applicants picked up a pack through the drive-thru in the afternoon, returned it the following morning, and received funding that same night resulted in 4,500 approvals by mid-June.

For Idaho Central Credit Union, its executive management’s ability to devote time and resources to PPP, along with help from an in-house team, made all the difference. “We had a great staff of commercial underwriters, processors, and loan officers that were able to learn the program and get it off the ground fast. As we began to see a flood of applications, we mobilized employees from throughout the organization to assist the commercial team in processing them,” says Jarom Campbell, vice president of commercial credit administration at the Gem State cooperative.

CU QUICK FACTS

VyStar Credit Union

DATA AS OF 06.30.20

HQ: Jacksonville, FL

ASSETS: \$9.5B

MEMBERS: 721,138

BRANCHES: 77

12-MO SHARE GROWTH: 27.2%

12-MO LOAN GROWTH: 20.1%

ROA: 0.79%

To put the PPP volume in perspective, Idaho Central makes approximately 1,300 business loans per year. The cooperative, [which made more PPP loans than any other lender in its state](#), was able to fund 3,900 PPP loans in three months, the equivalent of 3 years’ worth of applications. This effort required more than just the commercial lending team, more than 150 employees assisted in the process.

BHCU was also ready to move quickly with seasoned commercial lenders on staff. “We were already in the process of becoming an SBA-approved lender and I’m a commercial guy by trade,” says Gary Golden, the credit union’s CEO. His personal experience, along with the expertise of credit officer,

Jerry Dorn, allowed the Pennsylvania cooperative to pivot without much difficulty. They also leveraged relationships with other financial service companies, including Member Business Financial Services (MBFS), to get the applications processed quickly.

Platinum FCU's decision to become an SBA lender in 2020 — a process they began in 2019 — made for a seamless process and allowed them to quickly jump into the PPP. “We were able to email members about PPP before the official launch date because we were already SBA members,” says Kabir Laiwalla, Platinum’s CEO. The credit union’s consumer lending manager, chief lending officer, and the CEO himself were able to distribute the work and create a supply chain whereby one person took applications and the others reviewed them and communicated with business members. The Georgia cooperative also made use of third parties such as Leverage and MBFS to assist with the SBA side of the process, allowing Platinum to remain focused on their members. Laiwalla notes that becoming an SBA lender is much easier today than when he first considered it back in 2005. “We applied at the beginning of 2020 and got our license and approval in 2-3 days,” he says. “I highly recommend other credit unions consider it.”

Cementing Existing Relationships & Opening The Door To New Ones

CU QUICK FACTS

Idaho Central Credit Union

DATA AS OF 06.30.20

HQ: Chubbuck, ID

ASSETS: \$6.0B

MEMBERS: 405,589

BRANCHES: 38

12-MO SHARE GROWTH: 33.6%

12-MO LOAN GROWTH: 21.9%

ROA: 1.43%

MACU saw the PPP loans as a clear way to live their mission of being there for members. The cooperative funded 7,000 loans with an average amount of \$50,000 for both existing and new members alike. “It was rewarding when we received countless emails and letters thanking us for being there when other financial institutions were not,” says Turner. And because of that positive experience, many credit unions saw interest from those businesses, who wanted to know more about what their cooperative could offer.

“It absolutely helped us bring new business into the fold,” says VyStar’s Vipperman. The commercial team has since been reaching out to those who got first-time loans through PPP and already has dozens of businesses interested in refinancing other loans and moving their relationship to the credit union. Overall, 97% of the loans VyStar funded were under \$150,000 with a few large loans going to local non-profits. A stark contrast to stories of large chains receiving millions in funding from big banks.

Idaho Central has also received an overwhelming response to their involvement. “We have received stories from all over the state about how we were able to help save jobs, help save businesses, and help save Idaho,” says Campbell. As one of the first financial institutions in the state to get up and running, word spread like wildfire across the business landscape and non-members began asking for help from the credit union when their banks weren’t up and running. As a result, Idaho Central helped more than 800 new business members secure a PPP loan. “Those businesses are now in

the process of moving over their entire relationship. We are hearing the same thing from our existing business members, that we stepped up and helped save their business,” Campbell says.

We couldn't have done this with just my lending team, we had representation from every single department who all stepped up and volunteered to help us.

Jenny Vipperman, CLO, VyStar Credit Union

BHCU's PPP loans were split nearly 50/50 between new members and existing members. “We solved a big problem for them, especially those who came to us after getting nowhere with their primary bank,” says Golden. For the credit union, this was a huge source of new business and an opportunity to showcase the cooperative difference. After approving every single application, BHCU has found that they not only have new business members, but new retail members joining. “When you're there for someone in a crisis, they remember that,” says Golden. He's seen first-hand business members who are now also moving their personal accounts to BHCU and encouraging family and friends to do the same. While the effort was herculean and involved midnight and 2 a.m. emails responding to members, it was worth it according to the Pennsylvania cooperative. Now, businesses want to hear from BHCU and understand they are an organization built on service and relationships, not just transactions.

Of the more than 500 PPP loans Platinum FCU funded, about 150 were new business members. “We had several members who only had personal accounts. We've already started working on new SBA loans from those new business member relationships,” says Laiwalla. Since the credit union mainly serves smaller businesses, their average loan size was just \$25,000 and the smallest loan they funded was \$1,200. After processing the first and second waves of PPP, the credit union focused [its efforts on educating members](#) to ensure smaller businesses, who may not be used to taking loans at all, clearly understood what they could use the funds for and what they could not.

Lessons Learned, How to Serve Small Businesses In The Future

CU QUICK FACTS

Platinum FCU

DATA AS OF 06.30.20

HQ: Duluth, GA

ASSETS: \$179.2M

MEMBERS: 10,032

BRANCHES: 5

12-MO SHARE GROWTH: 52.0%

12-MO LOAN GROWTH: 24.7%

ROA: 1.50%

Despite ongoing economic uncertainty, MACU's philosophy is still to serve all members, including small businesses. Unlike some institutions who decided to stop making certain types of loans, the Utah-based cooperative is making slight adjustments to loan-to-value ratios and looking more closely at potential loans to protect member assets and serve business needs responsibly. “We look for ways to make loans, not pull the rug out from under small businesses,” says Turner. The ability to make local decisions and act nimbly are two advantages of working with MACU.

VyStar has always been a conservative lender and is continuing to do their part to protect both members and the institution — particularly on the real estate side of its portfolio. “We’re focusing on members’ existing loans and making sure we work with them on forbearances or modifications to keep them in a good place,” says Vipperman. Overall, the PPP experience taught the chief lending officer that no one can go it alone when it comes to meeting immediate member needs. “We couldn’t have done this with just my lending team, we had representation from every single department who all stepped up and volunteered to help us.” The credit union’s philosophy of making what’s important to the members important to the institution helped clear the way for this proactive assistance. “None of this we could have accomplished if people didn’t work together. That’s how all of us are going to get through this,” says Vipperman.

For Idaho Central, having a competent business and treasury management team, along with over 10 years of business banking experience and cutting-edge IT resources have been key to success. “Business members are worried. We need to be there for them as they navigate this new financial landscape we all find ourselves in,” says Campbell. The top in-state PPP lender learned several valuable lessons centered around automation for loan applications, and tweaked their process almost daily with the IT department as its internal teams searched for ways to do things quicker and more efficiently. “This was a game changer for us and allowed us to help even more Idaho small businesses,” he says.

BHCU hasn’t made any philosophical changes to their business lending model, but is asking more questions than years past to understand and evaluate new loans. “You can’t simply look at 2018 and 2019 performance, especially in industries like food service. You need to understand what cash flow looks like today and what the expectations are now,” says Golden.

The PPP process, while challenging, validated the ability of credit unions like BHCU to compete with the larger banks and differentiate with small businesses. “The way many banks treated smaller businesses — some even telling them to come back in a month to apply for a non-PPP loan — proved my point that we’re a good alternative,” says Golden. The Pennsylvania cooperative didn’t tell anyone to wait or turn away a single small business for any type of loan request, as it’s simply not in their nature.

CU QUICK FACTS

BHCU

DATA AS OF 06.30.20

HQ: Ridley Park, PA

ASSETS: \$194.2M

MEMBERS: 8,298

BRANCHES: 2

12-MO SHARE GROWTH: 22.5%

12-MO LOAN GROWTH: 8.7%

ROA: 0.64%

Platinum FCU is continuing to serve business members, while at the same time beefing up their allowance for loan losses, adopting some of the new self-employed guidelines introduced recently for mortgages into their commercial products, and pausing its \$100,000 unsecured line of credit. The SBA commission earned through PPP has helped the credit union increase its loan loss allowance and pay all staff a bonus to thank them for continuing to work through challenging times. While Lawailla has been an advocate for credit unions serving small businesses, he sees the national wave to go cashless as a potential disadvantage. “If you want to serve retail businesses, you may want to rethink that strategy,” he says.

Platinum FCU was formed to help support these types of cash-intensive businesses, but often receives requests from non-members and has difficulty finding other institutions to refer the business. “There may be more scrutiny for Bank Secrecy Act (BSA) compliance, but we’re here for the members. We will continue to go above and beyond to serve their needs,” Lawailla says.

Lawailla notes that many banks are getting out of these types of services and most credit unions were never in that space to begin with, leaving a big gap for retailers and a big opportunity for cooperatives.

“There is still plenty of cash and there will continue to be as long as there are unbanked or underbanked consumers.”

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