

Keeping an eye on the early warning signs of a member business lending account in trouble can help save your credit union time, money and accounts in good standing in the future.



Warning Signs: Business Borrower in Trouble

Unfortunately, member business loans are just as susceptible to rocky spots as are traditional consumer loans. No business lending member goes into a loan expecting to do anything more than pay it back in a timely manner. However, difficulties can arise.

Proactive credit unions that seek not only to protect their member business lending portfolio but also to help members in trouble can look out for a few early warning signs in borrowers. These include:

- Late/missed payments. This is the most obvious sign and is definitely indicative of a business member in trouble.
- Excessive use of line of credit. This also includes not resting the line of credit or allowing the line to revolve. If a member continually goes to their line of credit without paying it back or resting it, that's a sign they face a serious cash flow problem and are living off their line of credit.
- Hitting the overdraft limit. If your business lending member also has an operating account with the credit union and they begin to consistently hit the overdraft option, it's a sign things are amiss.
- Specific industry troubles. Keep an eye on the news. If a specific industry relevant to your area (such as steel, automobiles, oil and gas, etc.) is in trouble, your business lending members in these fields might also face trouble.
- Internal troubles. This can be a wide variety of things, including an abrupt management change, legal troubles or even scandals. If you hear or become aware of a member business lending account associated with any of these, keep a close eye on the situation.

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As part of its efforts to be there for credit union member business lending clients every step of the way, MBL also offers assistance with collections and workouts.

MBL can help your credit union with the following:

- Identify potential options for restructuring credits
- Analyze the borrower's and guarantor's financial condition
- Establish and maintain watch lists
- Design workout options
- Assistance with liquidations and bankruptcy
- Review collateral
- Guidance on allocation of loan loss reserve
- Lapse in insurance coverage
- Substantive increase in debt on business or personal credit reports
- Presence of tax liens, judgements and/or open collections

Please contact MBL's Portfolio Administration team for assistance.

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