



# Honing Your In-Person and Virtual Presentation Skills

Future Lending Leaders  
Workshop – Public Speaking

## Workshop: Honing Your Presentation Skills

- As part of the FLL program, each FLL will have an opportunity to serve as a virtual presenter or conference panelist
- This workshop covers best practices for preparing for and presenting to an audience of your peers



## Schedule for the Day

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**Quick Survey**

**Preparing to Present**

**Virtual Presentations**

**Using Technology**

**Breakout Groups**

Future Lending Leaders | Workshop – Honing Your Presentation Skills | October 9, 2026  
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# Quick Survey

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# FLLs

Please raise your hand if you:

**Have ever made an in-person or virtual presentation to a group of 10 or more on any topic**

**Have occasionally made presentations to groups of 10 or more on any topic**

**Regularly make presentations to groups of 10 or more on any topic**

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## FLLs, Mentors, Instructors, NAGGL Staff

Please share:

**What do you find hardest about making in-person presentations?**

**What do you find hardest about making virtual presentations?**

**What tips and tricks have you used to enhance your presentation skills?**

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# Preparing to Present

## Reminder:



## PowerPoint Presentations

For NAGGL sessions, NAGGL will provide the presentation and any other materials in advance of the presentation date



## Preparing Yourself



### Audience

#### Know your audience

Who will you be presenting to?

What do you want them to hear/learn?



### Subject

#### Be the subject matter expert

Anticipate what questions will be asked

Have additional resources available if needed



## Preparing Yourself

**Research** your topic thoroughly

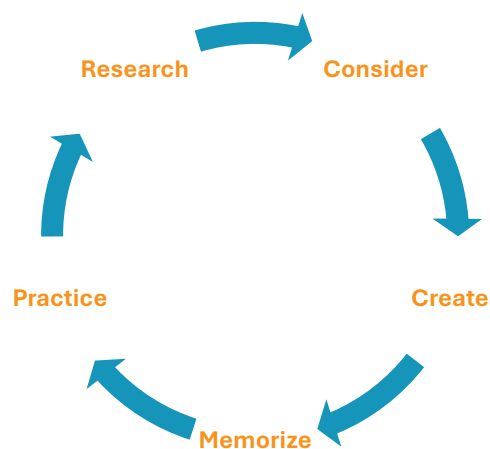
**Consider** your target audience

**Create** an outline and/or cue cards

**Memorize** key points

**Practice, practice, practice**

**Practice** some more!



# More Preparation Tips

## Outline

- Start by outlining your presentation
- How much time do you have?
- What is the message you want to deliver?
- Provide a simple summary to your audience at the beginning of the presentation

## Keep Slides Simple

- Quantity of material can vary based on the topic
- More content required for “classes”
- Talking points may be more appropriate for some presentations

## Visual Interest

- Make the presentation more engaging
- When possible, use pictures and graphs to illustrate your point

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## Preparing Your Performance

**Organize** your notes and your thoughts

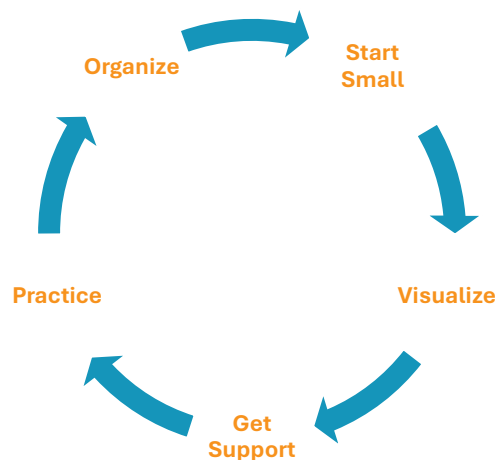
**Start small** – practice a section at a time

**Visualize** a positive outcome

**Get support** from your mentor/NAGGL

**Practice, practice, practice**

And don't forget – **PRACTICE!**



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# Turning Materials Into Your Presentation

Present the content in logical sequence

“Chunk” the information and use connectors to transition from one topic to the next

Remember that you cannot include everything you know in every presentation

- Tailor material to topic, audience and allotted time

Be prepared with references if audience wants additional information and/or resources

For complicated questions or those that cannot be answered during the presentation, refer audience to [info@naggl.org](mailto:info@naggl.org)

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# Turning Materials Into Your Presentation

Create an outline and cue cards

Essentially, make a script for yourself

Slides will guide you and keep you on topic,

**BUT –**

- Avoid reading slides word for word
- Think through how you want to present the material
- Consider what discussion you want to add to the highlights provided on the slide

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## Preparing Your Performance



## Benefits of Practice

|                                                                                                                          |                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Are you:</b><br>Fully comfortable with the content?<br>Able to pronounce difficult words?<br>Able to define acronyms? | <b>How can you supplement the slide material in your presentation?</b><br>[Adding personal stories helps to make the material memorable] |
| <b>Allows you to address any issues you may not have anticipated</b>                                                     |                                                                                                                                          |
| <b>Can you adequately cover the material in the available time?</b><br>Is there enough or too much material?             | <b>Do you need to focus on how you appear in your presentation?</b><br>[Facial expression, posture, gestures, etc.]                      |



## Preparing Your Performance

Presentation style should change depending on audience

If presenting in a professional setting, keep your style professional and focus on conveying your information

If presenting in a more casual setting, OK to include more humor  
Important to remember that not everyone shares the same sense of humor, so be careful not to offend someone who may not get your joke



## Preparing Your Performance

### Pace and Tone

- Your **pace and tone** are critically important
- Audience engages best when the presenter sounds interested in the topic
- Delivery in a monotone or at a consistent pace will bore both you and your audience
  - **BEST ADVICE:** try to vary your tone and cadence
    - Think of analogies as a way of delivering facts – tell a story
    - When information is complicated or technical, put emphasis on certain words and slow down to allow audience time to absorb information

### Eliminate Filler Words

- Try to **eliminate filler words** such as "um" and "uh" which distract the audience and make you seem nervous and less confident
- By rehearsing your presentation and recording yourself you can identify how often you use filler words and try to reduce them
  - Silence is generally better than an "um" or "uh"
  - Practice just pausing if you need to regroup to reorganize your thoughts – this also provides a good time to take a sip of water or move to the next slide



## Preparing Your Performance

### Eye Contact

- Use **eye contact** to connect with your audience
  - For in-person presentations, eye contact with your audience is the way you form a connection
    - If the size of the group allows it, attempt to make eye contact with each person in the group
    - For larger groups, you can look in the crowd's direction without making direct eye contact with any specific person
  - For virtual presentations, making eye contact with the audience is not possible, but you can up the odds by looking directly at the camera
    - **PRESENTER TIP:** tape a 'smiley face' by your computer camera to help you see it as a person

### Body Language

- Use **body language** as another means of connecting
  - Posture is important – stand or sit up straight and face your audience or camera
  - When you need to refer to your slides, try to remain facing your audience and only glance at the slide for a few seconds
  - Using hand gestures also can be a good way to make your presentation more engaging, and they can help replace nervous habits, such as fidgeting, swaying, crossing your arms, playing with your hair, etc.



## Preparing Your Performance

### Support

- **Get support**
  - If you are new to the presenter role –
    - Practice before a mirror
    - Record yourself and self-critique
    - Practice with a friendly audience of colleagues or family (or pets!)
      - Get their feedback about what you did right and what needs improvement
  - You also may want to consider joining a public speaking group, watching and critiquing videos of speeches given by others, etc.

### Be Flexible

- **Adjust** your presentation based on how you see yourself and feedback from others
- **More practice = greater confidence** and the audience will see and respond to that



## Visualize a Positive Outcome

Think about what can go wrong and how you can respond

- For instance, what if someone asks a question you can't answer?

Decide in advance how to handle, which may be as simple as saying: *"That is a great question, and I want to do some research before diving in, so I'll get back to you by sending an email to the entire audience"*

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## Virtual Presentations



## Presenting Virtually

When presenting in person, you get immediate feedback and can adjust your presentation to reflect what you observe in the audience

When presenting virtually, it's hard not to feel like you are talking to yourself

Include the audience from the beginning of your presentation

Take a few minutes to welcome audience and establish friendly atmosphere

Outline your expectations for interaction with audience

In addition to knowing your audience beforehand, you need to include them in your presentation to keep them from getting distracted and multitasking

Ways to do that include –

- Taking polls
- Asking questions
- Allowing audience to ask questions

**Acknowledge audience feedback to enhance connection**



## Presenting Virtually

Look directly at the camera and use facial expressions to emphasize what you are saying

Smile when appropriate

Use other expressions like what you would normally use when in a face-to-face presentation

Keep focused

Make sure you have everything you need close at hand – any reference materials, water, tissues, etc.

If something does interrupt you – your dog barking, the Amazon delivery man ringing the doorbell – acknowledge the interruption and move on

After you make a key point, pause for a few seconds to let your audience process what you have said

Learn to use the technology smoothly – which brings us to the next part of our presentation ...



## Hybrid Presentations

NAGGL is continuing to offer *hybrid* conferences with both in-person and virtual audiences

So, if you are on a conference panel, chances are that you will have two audiences

Presenters need to keep the attention of both audiences which requires working especially hard to connect to virtual attendees so that they feel part of the discussion



Comments and questions from audience must be made using a microphone or presenter must repeat what is said so virtual audience gets it

Presenters may need to explain to the virtual audience what they cannot see, e.g., *"When I asked how many lenders use agents, in addition to the 50 virtual responders, about half the folks in the room raised their hand"*



Remember to address and acknowledge the virtual audience regularly  
And all the other virtual presentation tips also apply



## Using Technology

## Tools and Tricks

### Smile, you're on camera!

- Lighting – best if light source is in front and above
- Use a professional setting or NAGGL-branded background

### Change it Up

- Audiences begin to lose attention after roughly 10 minutes of hearing from the same presenter
- Use interactive activities to keep participants engaged (i.e., take a poll, give quizzes, ask for opinions via chat, etc.)

### Be Energetic

- Ideas: stand up when you present, use hand gestures
- Stay focused
- Turn “do not disturb” on email and other work or personal communication software/devices

### We're here to help

- Request a demo/practice session with your host ahead of time
- Log in 30 minutes in advance to test your audio/video connections



## What Does the NAGGL Host Do?

### Before the Course

- Prepares the meeting space; uploads all course material
- Starts session 30 minutes in advance to test audio/video connections and answer any last-minute questions from presenter or attendees
- Greets participants setting them up for a positive experience

### During the Course

- Monitors chat for technical issues and relevant topic questions
- Arranges and troubleshoots breakout sessions
- Notes any errors in slides, materials
- Mutes/unmutes participants

### After the Course

- Collects chat questions
- Forwards feedback collected in MyPath



# Time for Your Presentations

Practice your skills with your fellow FLLs,  
mentors and instructors

## Site Visits

Brian Delaney



## When Should A Site Visit Be Conducted?

A site visit **should** be made whenever warranted by prudent lending practices, including but not limited to –

- As part of the lender's loan origination due diligence process for their similarly sized non-SBA guaranteed commercial loans
  - **Mandatory** for loans when proceeds will be used to finance a change of ownership
  - **Mandatory** when real estate is acquired, refinanced, or improved by loan proceeds, or when lender starts its environmental review with an environmental questionnaire
  - **Mandatory** as part of monitoring for some CAPLines
- As part of the lender's portfolio monitoring of the borrower's ongoing creditworthiness
- When lender routinely conducts a site visit for its similarly sized non-guaranteed portfolio
- In conjunction with a servicing request, including a deferment request
- To monitor the borrower's operations during any deferment periods



## Loan Origination – Change of Ownership Site Visit Requirements

- Per the recent revisions in SOP 50 10 8.1, site visits are required for **all change of ownership transactions**
  - *A site visit for the Applicant and for the business being acquired*
- Lender's loan documentation **must** include –
  - *Date of the site visit as well as comments*
  - *For businesses not operating out of a physical location, the Lender must document what steps were taken to verify the operations of the Seller*
- But SBA recognizes that not all business have brick-and-mortar operations and has provided **alternative means for conducting site visits**
  - *For businesses that operate on a virtual, or otherwise non-customer facing physical location basis (i.e., e-commerce), the Lender may choose not to conduct a physical site visit*
  - *Lender must document in the loan file the basis for determining that a site visit would not materially enhance verification of business operations and may utilize alternative methods, such as virtual meetings or review of business records, to confirm the existence and activity of the business*



## Post-Default – Mandatory Site Visits

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- **Post-default site visit mandatory –**
  - Within **60 calendar days** of an uncured payment default or sooner if collateral could be removed, lost or dissipated
  - Within **15 calendar days** of occurrence of an adverse event causing loan to be classified as “in liquidation” or sooner if collateral could be removed, lost or dissipated
  - **UNLESS** loan is unsecured and recoverable values are below thresholds
- If site visit **NOT** conducted, file **must** be documented to show visit was neither necessary nor prudent

SOP 50 57 4, p. 115



## Pre-Flight Process

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Matthew Flannery



## Why Have a Pre-Flight Process?

[Pre-flight = informal preliminary review where the lender evaluates the applicant's basic credit and 7(a) eligibility information before there is a formal application]

- Having a pre-flight process is important for lender and applicant
  - For the applicant – better a fast “no” as the answer than a slow answer that is still “no”
  - For the business development officer – helps inform decision whether to stay with the applicant or move on
  - For the credit team – screens out requests that won't be able to move forward
- This quick screening process is usually created by the credit team with some input from the sales team to help quickly recognize viable deals to get them off the street
- Can be a simple one-page scoring worksheet or a complex set of tabs in an Excel workbook – but is always based on lender's internal credit policies
- Consistent use of a pre-flight process means greater efficiency as loans move through the pipeline



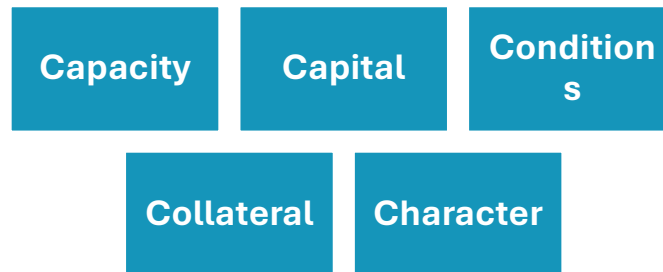
## Other Things a Pre-Flight Process Does

- When conducted on a regular basis and open to a wide variety of employees, provides sales training on the lender's credit box and SBA eligibility and credit requirements
- Develops and reinforces consistency in what documents to obtain for certain transactions
- Eliminates any perception of favoritism or being treated differently
- Requires consistent monitoring and updating of the process based on changes in lender or SBA policies (new SOPs, notices, etc.)
- Can be the starting point for generating a terms sheet/letter of intent subject to certain conditions (i.e., approval by SBA and issuance of a 75% guaranty for the proposed loan, etc.)



## What to Include in a Pre-Flight

What is important to your institution? Most lenders start with the **5 Cs of credit** to create a pre-flight, so let's take a look at a starting point for building a pre-flight ...



*While these are borrower traits to analyze, let's add a lender trait: **COMMON SENSE***



## Constructing a Pro Forma Balance Sheet

Alonso Gonzalez



## Pro Forma Defined

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- **Pro Forma Definition**

- *As a matter of form; for the sake of form*
- Used to describe accounting, financial or other statements or conclusions based on assumed or anticipated facts

- **Lending Context**

- A pro forma balance sheet is a forward-looking financial statement that projects a company's assets, liabilities, and equity for a future date or a specific "what-if" business scenario
- Shows a business's balance sheet reflecting all the effects of the project
  - **EXAMPLE:** if for a construction project, will show the new debt for the construction loan and the newly constructed asset



## Pro Forma vs. Projection

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- **Pro Forma**

- Related to balance sheet
- Starts with the most recent balance sheet and makes adjustments based on the proposed project
- Shows the impact of the proposed project on the applicant's balance sheet

- **Projection**

- Related to income statement
- Shows borrower's and/or lender's estimate of future activity (income and expenses)



## SOP Requirements – Standard 7(a) Loans (Loans > \$350,000)

- Pro forma balance sheet required as part of financial analysis of repayment ability
- Lender must analyze ratios on pro forma balance sheet including:
  - Current Ratio
  - Debt/Tangible Net Worth
  - Debt Service Coverage (listed in ratio section but part of income statement analysis)
  - Any other ratios lender considers significant
    - Inventory Turnover
    - Receivables Turnover
    - Payables Turnover
    - Etc.
- These requirements are SBA's minimum standard in SOP 50 10, **BUT –**
  - What does lender's loan policy require?
  - What does lender's regulator require?



## Citizenship and Residency Requirements

Peter Hong



## Who Can Own a 7(a) Applicant Business?

- **ALL** direct and indirect owners and all SBA-required guarantors must be U.S. Citizens or U.S. Nationals with principal residences in the U.S., its territories, or possessions
- **Who is a U.S. citizen?**
  - Any individual recognized under U.S. law as a citizen – such status may come from:
    - Being born in the 50 states or the District of Columbia, or U.S. territories (Puerto Rico, Guam, U.S. Virgin Islands, Northern Mariana Islands) is a citizen, regardless of their parents' citizenship or immigration status (*birthright citizenship*)
    - Being born abroad if at least one parent is a U.S. citizen who meets U.S. residency requirements
    - Being naturalized after meeting the requirements for citizenship
- **What documentation do lenders need to obtain to prove citizenship?**
  - No documentation is required for any U.S. citizen, including a naturalized citizen
    - But individual completing the SBA application documents must certify that all owners of the business are U.S. citizens or U.S. nationals with a principal residence in the United States, or a territory or possession



## Who Can Own a 7(a) Applicant Business?

- **Who is a U.S. national?**
  - Any individual born in American Samoa or the Swains Island
    - Such individuals are entitled to live and work in the United States but cannot vote in Federal elections

**[NOTE:** individuals born in Puerto Rico, Guam, the U.S. Virgin Islands or the Mariana Islands are U.S. citizens but also cannot vote in Federal elections]
- **What documentation do lenders need to obtain to prove that an individual is a U.S. national?**
  - Lender must review evidence of the person's status as a U.S. national (e.g., birth certificate or passport)
  - Lender must document this review in the loan file
  - Lender must enter the U.S. national's SSN on the application and into E-Tran
  - Individual completing the SBA application documents must certify that all owners of the business are U.S. citizens or U.S. nationals with a principal residence in the United States, or a territory or possession



## What About Entity Owners?

- All entity owners (whether direct or indirect) must be created, organized, or incorporated in the United States, its territories, or possessions
  - NO ownership by a foreign entity is allowed
- What documentation do lenders need to obtain to prove compliance?
  - While not specifically addressed in the notices, lenders must –
    - Obtain documentation from the place of incorporation **AND**
    - Verify that no ownership is held by a foreign entity



## Evaluating the Loan Request

Wilson Lin



## Evaluating the Loan Request

### Potentially eligible uses of proceeds –

- Purchase and/or improve commercial real estate
- Purchase of equipment, furniture, fixtures, leasehold improvements
- Start up of a business or franchise
- Inventory
- Debt refinancing
- Change in ownership whether an asset purchase or stock purchase/redemption
- Working capital
  - For what purpose?
    - Uses that would be considered normal working capital (W/C)
    - Uses that appear to be supporting survival of business – may be problematic
  - For 7(a) Small Loans: When W/C = 50% or more of the loan proceeds, lender's credit memo must address why this amount is necessary and appropriate for the subject business



## Understanding the Project – Does it Make Sense?

- Does project make sense –
  - For type of business?
  - Based on current status of business – if impacted by pandemic, has it returned to full operations?
  - Based on current state of economy where business is located?
- Nature/type and current status of the business? e.g. –
  - If restaurant business was impacted by pandemic, is it back to regular operations, are current economic conditions making it necessary to increase prices, and change hiring practices?
  - Many hospitality businesses appear to be booming – will that continue or will travel demands begin to subside?
  - A business that is impacted by weather events (landscaping, skiing, campground, water park, etc.) – is there a best case/worst case set of projections?
  - A medical equipment manufacturer that substantially increased revenues during pandemic – is that trend continuing or have revenues begun to decline?
  - Does a business with no expansion plans really need to move from 2,000 sf to 10,000 sf?

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## Understanding the Project – Does it Make Sense?

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### Historical financial performance? e.g. –

- **How much reliance can lender place on FY 2023-2025 historical data if performance is not consistent?**
  - Applicant had been buffeted by frequently changing conditions (whether due to economy, higher fuel costs or global events)during 2023-2025 – how do borrower and lender know if changes in performance are temporary or permanent?
- **Management expertise? e.g. –**
  - Management has been operating the business for years
  - Management works at outside employment – this is more of a hobby than anything else



## Income Statement Considerations

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Todd Madsen



## Income Statements Considerations

- **Large fluctuations in income/expenses**
  - Impact of current or expected near-term economy on income and expenses?
- **Non-cash expenses**
  - Depreciation
  - Amortization
- **Non-recurring expenses (add back) or income (deduction)**
  - Cash flow adjustment needed?
- **Interest expense**
  - Appropriate for level of debt and possible increase in interest rate?
- **Officers' salary**



## Fixed vs. Variable Expenses

- **Fixed Expenses**
  - Do not vary with revenue
  - Tend to be time related
  - Examples
    - Rent
    - Interest – but be careful with variable interest rate loans!
    - Insurance
- **Variable Expenses**
  - Vary with revenue
  - Examples
    - Utilities
    - Advertising
- **Salaries and Wages = Components of both**
  - Fixed – minimal level of staffing needed to operate
  - Variable – staff level over the minimum needed



## Fixed vs. Variable Expenses – Economic Impacts

- **Fixed Expenses**
  - The greater the fixed expenses, the greater the impact to profitability when revenue declines
- **Variable Expenses**
  - Many businesses may have had or are continuing to have increased variable expenses for:
    - Fuel costs
    - Interest rate fluctuations on variable rate loans
    - Training
- **Salaries and Wages**
  - Variable expense – most likely to have been impacted due to uncertain economy
  - Incentives or higher wages needed to attract necessary staff?
  - Training expenses for new hires



## Real Property Definition

Andrew Martin



## Real Property Definition

- **Real Property** (commercial or residential)
  - Land and everything permanently affixed to it (i.e., buildings)
- When real estate is pledged as collateral, the lender must record either a mortgage or a deed of trust
  - Mortgage: borrower holds legal title and ownership during entire repayment period
    - Lender has the right to foreclose on collateral if borrower defaults
  - Deed of Trust: borrower transfers legal title to a neutral third party called a “trustee” and trustee holds it in trust until the loan is fully paid off while the borrower keeps “equitable title” (the right to use the property)
    - Document must reference the obligation (note or guaranty) being secured and filed in the appropriate county recorders office
- Decision which to primarily use depends on State law – about half of the states exclusively use deeds of trust, some use mortgages, a few allow both –
  - Lender should consult with title, escrow or counsel to determine which to use



## Real Property Ownership

- **Fee Simple Ownership**
  - Highest and most complete form of real estate property ownership –
    - Gives owner full, indefinite rights to own, use, sell, or pass down the land and any buildings on it to heirs, with no expiration date
  - Owner of the property owns both the structure (e.g., an office building) and the land beneath it
- **Leasehold Estate (created by a ground lease)**
  - Temporary legal interest in real property where a landlord (lessor) grants a tenant (lessee) the right to use and occupy a property or land for a specified period
    - Although it involves real estate, it is classified as personal property because it does not convey outright ownership or title
  - Owner of the structure has the right to use and occupy the land owned by another for a fixed period of time under a ground lease, but is a tenant leasing the land
  - Tenant owns any improvements made during the term of the land lease but must return the land to the owner upon expiration of the ground lease



## Leasehold Improvement Definition

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- **Leasehold improvements** are alterations, additions, or renovations made by a tenant (your borrower) to a leased commercial space to fit their specific business needs
- These upgrades, e.g., new walls, lighting, flooring, partitions, built-in shelving, etc. become permanently affixed to the property meaning that ownership of those improvements typically is retained by the owner of the building once the lease term has expired
  - But if the lease allows removal of leasehold improvements, generally the tenant must restore the property to the pre-installation condition
- Improvements that permanently affix to the building (e.g., HVAC or custom walls) are considered to be real property
- Trade fixtures that can be easily uninstalled without causing damage to the building (e.g., a display case, medical equipment, stove, refrigerated storage, etc.), not affixed to the premises, are considered to be personal property



## Servicing Actions Basics

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Matthew McCullum



## Starting Point for Servicing Request

- Begin by reviewing the Loan Authorization/E-Tran term and conditions, credit memo, loan file and collateral status
- Determine if request is properly supported
  - Generally, loan documents should only be modified if material change in borrower's circumstances since loan was made
- Degree of analysis and what supporting documents will be required will vary depending on individual circumstances
- Decision **must** be justified and documented in a Loan Action Record



## Servicing Requests – What to Obtain and Actions Required

1. Borrower's **written** request
2. Current **business financial statement** (F/S) and last 2 years of tax returns
3. New **Credit Report** (business and personal) – legal search if appropriate
4. Current **personal financial statement** (PFS) and last 2 years of tax returns from all obligors, guarantors (and affiliates)
5. If collateral involved, obtain **appraisal, lien search, amount owed on any senior liens, flood search, etc.**
6. If request is a refinance or purchase of collateral, obtain **complete executed copy of all relevant documents** (e.g., purchase and sale agreement, escrow instructions, estimated closing statement or HUD-1, seller carry note, etc.)
7. If **commercial R/E**, follow **environmental guidelines**
8. Perform **credit analysis**



## If Granting the Servicing Request

1. **Do not approve a servicing action for a borrower in technical default – require borrower to fix the default first!**
2. **Check existing loan documents for problems/errors and fix them now while the borrower wants something from the lender**
3. **Analyze collateral (include written analysis in the Servicing Credit Memo)**
4. **Require borrower to provide consideration (something of value) before or at the same time borrower receives the benefit of the action (could be fixing loan documentation errors, waive defenses to litigation, releasing lender liability claims or providing additional collateral)**
5. **Get written consent of all obligors**
6. **If needed, obtain SBA approval or provide notice**



## Writing a Credit Memo

**Rob Parkin**



## Starting the Credit Memo

- Typically, a conventional loan credit memo begins with a high-level overview of the credit facility
  - Acts as the source for loan documents and the lender's data entry into its accounting system (loan boarding)
- An SBA credit memo also begins with a high-level overview of the credit facility and is the source for the E-Tran data entry
  - Also acts as the source for loan documents and the lender's data entry into its accounting system (loan boarding)
- Therefore, the two credit memos should look very similar to each other – the main difference will be the inclusion of the SBA 7(a) Loan Program Requirements in the SBA credit memo and discussion of how those requirements are met
  - **Best Practice:** include the version of SOP 50 10 in effect at the time of loan approval



## Starting the Credit Memo

All credit memos typically begin with 1-3 cover pages that include things like –

- Borrower name, address, phone number, email and tax ID/SSN
- Guarantor name(s), address, phone number, email, and tax ID/SSN
- Geo code (including census tract/demographic income, state code, county code, etc.)  
[especially important for FY 2026 because NO upfront guaranty fee on loans of \$700,000 or less made in rural areas]
- NAICS code of borrower and type of organization (sole prop, C corp, S corp, LLC, etc.)
- Loan amount and percentage of SBA guaranty
- Interest rate (base rate plus spread, variable or fixed)
  - If variable rate, frequency of rate adjustments, and accrual method
- Loan term (maturity) – could be written in years and months or just number of months
- Monthly P&I loan payment, and if interest only period is included, how many interest payments and how many principal and interest payments (must equal loan term)
- Ratios for balance sheet and income statement, including debt service coverage (DSC)
- Short description of use of proceeds



## Starting the Credit Memo

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- List of collateral, lien position and collateral ratio
- Description of the industry, competitors (if any) and a breakdown of the roles and responsibilities of the management team/ownership and their experience
- Analysis of a customer base concentration that might impact the business if it was lost
- Primary, secondary and tertiary sources of repayment
- “Recommended by” and “approved by” signature blocks and dates
- Risk rating
- Credit policy exceptions
- Spreads of financial statements
- Customer depository information



## Prudent Loan Closing

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Caleb Peterson



## Prudent Loan Closing – What it Means and Why it Matters

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- Not **every** issue is addressed in SBA SOPs –
  - SBA's difficult job is to balance its need to provide overarching guidance that covers all major issues with the need to have a guidance document that is a reduced size
  - This means that SBA simply cannot address every issue and every nuance in an SOP
- Historically, SBA has provided both broad parameters and proscriptive requirements but also has charged lenders to be **prudent and reasonable** and to follow their conventional practices if more specific than SBA's requirements as they fill in any gaps in the guidance
- Simply put, lenders need to consider what is “prudent” when SBA guidance is not proscriptive as to a particular issue



## Why Do These Terms Matter?

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- In some ways, prudent lending can be problematic because lenders' standards of performance may be more gray than black and white, and can allow a **wide range of interpretation** by SBA
- That's why it is so important for lenders to have a **realistic understanding of what SBA intends** when it talks about prudent lending and commercially reasonable practices



## Prudent Loan Closing Starts at Loan Origination

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To be a prudent lender with commercially reasonable practices, a lender must conduct prudent loan closings, this includes concepts like –

- **Determining what it must do to protect the interests of, and meet the concerns of, the lender, its regulator, and SBA**
- **Obtaining, perfecting, and maintaining liens on collateral** that are compliant with local laws and filing requirements, and are fully enforceable
- **Creating checklists and processes** that start at the beginning of loan origination to avoid a scramble at the end when closing the loan
  - Identify potential issues to avoid closing delays
  - Manage customer expectations and provide clear communication and accountability with a standardized process
  - Require all members of a team to understand and follow the process rather than relying on the closing department to get it done ASAP!



## Lender Preference

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Aimee Porter



## Lender Preference

- Lender may not take any action in connection with an SBA-guaranteed loan that establishes a preference in favor of itself – **13 CFR 120.411**
- Lender must be **particularly careful** to avoid establishing a preference **when using its delegated authority** – examples:
  - Lender seeking to reduce its existing exposure to the borrower through the use of an SBA guaranteed loan
  - Lender provides disparate treatment when it has two loans to same borrower – one guaranteed by SBA, and one not OR lender has two SBA loans – one with a 75-85% guaranty, and one with only a 50% guaranty

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**NAGGL TIP:** standard that lender should use to decide whether SBA could regard lender action as preference = slightest possibility that an observer might think preference exists

SOP 50 56 1, pp. 19-20



## Lender Preference

### Lender **must not**:

- Take side collateral or guaranty that secures only its own interest in loan
- Obtain a separate guaranty on the unguaranteed portion of the 7(a) loan without SBA's prior approval
- Require a borrower to purchase certificates of deposit
- Maintain a compensating balance not under borrower's control
- Take a side loan which would have the effect of ensuring a risk-free or limited-risk investment on the participant's share
  - Lender may make a side loan to a borrower that is not guaranteed by SBA to purchase stock of the participating lender (e.g., as sometimes required by Farm Credit Administration) when specific conditions set forth in SOP are met
- Have an SBA-guaranteed loan in a "piggyback" structure

...

**NOTE:** SOP 50 10 8.1 includes reference to piggyback limitations in chapters on various processing methods



## Depository Accounts

SBA defines “preference” as: *“Any arrangement giving a Lender or a CDC a preferred position compared to SBA relating to the making, servicing, or liquidation of a business loan with respect to such things as repayment, collateral, guarantees, control, maintenance of a compensating balance, purchase of a Certificate of deposit or acceptance of a separate or companion loan, without SBA’s consent.”*

- Lenders may require borrowers to have a depository account as long as the borrower has complete control of the account
- Lender must not maintain a compensating balance not under the control of the borrower (50 56 1, p. 19)



## Quality of Earnings (QoE)

Heidi Prince



## What is a Quality of Earnings Report

- A QoE report is an **independent financial analysis** that evaluates whether a company's reported profits accurately reflect its true, sustainable, and recurring economic performance
- Unlike a standard financial audit – which only checks if accounting records comply with formal rules like GAAP – a QoE report **digs deep into the actual drivers of cash flow and operational health**



## What a Quality of Earnings Engagement Actually Is

An independent analysis of whether reported earnings are real, recurring, and sustainable



### WHAT IT IS

- A ground-up rebuild of earnings from the accounting records – not a review of the seller's information
- Independent validation of every EBITDA adjustment, with the support behind each one documented
- Monthly trend analysis: revenue, margin, and expense behavior period by period
- A proof of cash tying reported revenue to money that actually moved
- Working capital, cash flow, and debt-like item analysis
- A written record you can put in the credit file and defend



### WHAT IT IS NOT

- Not an audit – no opinion, no assurance, and audited statements are not a substitute for a QoE
- Not a business valuation – and not a substitute for a required appraisal
- Not a guarantee that the numbers are correct or that the business will perform
- Not a tax return review, though tax exposure diligence can run alongside it

**An audit asks:** are the statements fairly stated under GAAP? **A QoE asks:** how much of this is going to be there next year to pay us back?



## What a QoE Finds that the Financials Do Not Show

The recurring findings that change loan sizing on lower middle market deals:

- |   |                                  |                                                                                                                                                                                                                                               |
|---|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Add-backs that are not add-backs | Owner comp above market replacement cost (valid add-back), “one-time” costs recurring in all three years (invalid add-back), personal expenses run through the business (valid add-back), pro forma savings never realized (invalid add-back) |
| 2 | Revenue that will not repeat     | Cash-to-accrual conversion errors, cut-off and WIP issues, deferred revenue versus realized revenue, a single large contract or a pandemic-era spike carried into run-rate                                                                    |
| 3 | Concentration and pricing risk   | Top customer at 40% of gross profit, a supplier rebate that drove last year’s margin, pricing that has already been reset by the market                                                                                                       |
| 4 | Working capital reality          | Seasonal peak need, stretched payables masking a cash problem, aged accounts receivable and obsolete inventory inside the borrowing base                                                                                                      |
| 5 | Liabilities nobody booked        | Accrued PTO, sales and use tax exposure, unremitted payroll taxes, related-party balances, deferred maintenance and capex deferral                                                                                                            |



## Loan Modifications

Patrick Wahl



## Loan Modifications

- Can range from a **simple** request from borrower (like changing an address) to a much more **complex** request (exchange of collateral, assumption of loan, etc.)
- Request to modify the terms of the Note include things like –
  - Increase or decrease loan amount
  - Change payment due date or frequency
  - Change from revolving to non-revolving
  - Change installment amount
  - Modify interest rate
  - Extend maturity date up to 10 years to aid in orderly repayment of loan
  - Etc.
- Request to modify the collateral securing the loan
- Lender must **understand and fully comply with state laws applicable to specific transaction**

SOP 50 57 4, pp. 59-61



## Legal Issues – Note Modification

- **Who prepares documents** – borrower counsel or lender counsel?
  - Advantages/disadvantages of both strategies?
- **Note Modification** (amendment, novation, allonge, etc.)
  - Did all appropriate parties execute?
  - Are all facts stated correctly in document?
  - Is action consistent with SBA's requirements?
  - Is change appropriate?

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## Legal Issues – Note Modification

- **What legal issues come up when modifying a Note?**
  - Correction of file deficiencies
  - Consideration from each party for modification
  - Impact on other loan documentation
  - Notice to/approval by all obligors
- **When is counsel required?**
  - Usually always since Note is foundational document – if deemed unenforceable, no collectability so likely no guaranty
  - Uncooperative borrower
  - Adversarial position
  - Lender liability
  - Unfamiliar with document requirements for jurisdiction



## Final Takeaways

**Know your topic inside and out** – remember that most people do not know what you are going to say (if provided, very few read the slides ahead of time), so you are the subject matter expert

**Practice** honing your delivery so there is no stumbling over tough words or concepts or delivering the presentation within the time allotted

**Act confidently** – smile, make eye contact, focus on positive body language and relax knowing you already know the content



# Coming up...

The FLL Program at a glance

## 2026 Schedule\*

|                       |                                                        |
|-----------------------|--------------------------------------------------------|
| ✓ June 26             | <b>Orientation</b>                                     |
| ✓ July 14-16          | Leadership Summit                                      |
| ✓ August 6            | FLL Monthly Meeting                                    |
| ✓ <b>August 14</b>    | <b>Module 1: Introduction to the Program and NAGGL</b> |
| ✓ September 3         | FLL Monthly Meeting                                    |
| ✓ <b>September 11</b> | <b>Module 2: Prudent Lending</b>                       |
| ✓ October 1           | FLL Monthly Meeting                                    |
| ✓ <b>October 9</b>    | <b>Workshop: Public Speaking</b>                       |
| November 3-5          | Annual Conference (San Diego, CA)                      |
| December 3            | FLL Monthly Meeting                                    |
| <b>December 11</b>    | <b>Workshop: Writing Industry Articles</b>             |

\*Dates are subject to change

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## 2027 Schedule\*

|                    |                                                          |
|--------------------|----------------------------------------------------------|
| January 7          | FLL Monthly Meeting                                      |
| February 4         | FLL Monthly Meeting                                      |
| <b>February 12</b> | <b>Module 3: Intersection of Program and Politics</b>    |
| March 4            | FLL Monthly Meeting                                      |
| <b>March 12</b>    | <b>Workshop: Expanding Your Leadership</b>               |
| April 1            | FLL Monthly Meeting                                      |
| May 3-5            | Spring Conference (Nashville, TN)                        |
| <b>May 14</b>      | <b>Module 4: Program Innovation</b>                      |
| June 3             | FLL Monthly Meeting – Wrap Up/Discuss Graduation Details |
| July 12-14         | Leadership Summit (Charleston, SC)                       |

*\*Dates are subject to change*



# Thank You!

See you in San Diego for the Annual Conference!