

18 months ago The Bank of Northern Michigan made SBA loan-making a mission. \$70 million in loans later, the regional bank is ranked among the top 3.2 percent of the banks in the nation for SBA lending.

Region—Skilled Manufacturing received \$7.8 million in federally guaranteed loans last year. The money enabled the Traverse City company—a tier 1 automotive supply company that had diversified into aerospace less than two years before—to buy more equipment, hire 75 more employees and nab contracts with several military and civilian aircraft companies.

Their success story—and dozens more locally—were aided in part by a push by The Bank of Northern Michigan to corner the SBA market, which was poised to boom when the 2009 Recovery Act unleashed \$375 million for SBA lending.

Under the umbrella of its parent company, Lake Michigan Financial Corporation (LMFC), TC-based The Bank of Northern Michigan and its sister bank, The Bank of Holland, quickly assembled a business resource lending team comprised of bankers.

The crew, backed by 28 years of experience originating and servicing government guaranteed commercial loans, took advantage of the regional banks' strong balance sheets and went to town targeting local accounting firms and attorneys working with businesses that might need loans, as well as various business groups.

A scant 18 months later the banks have had more than \$70 million in SBA loans approved. In the last quarter alone (Oct. 1, 2010 through Dec. 31, 2010) the banks have done more than \$30 million in SBA loans, ranking LMFC in the top 3.2 percent—that's No. 55—of all banks in the nation for SBA lending, and No. 3 in Michigan.

The numbers are unprecedented for a community bank of this size, and the haven't escaped notice. The United States Department of Agriculture recently named TBoNM its 2010 Lender of the Year, a direct result of the bank's issue of more than \$25 million in agency-backed loans—more than any other community bank in the state. It's worth noting that the award isn't an annual award. It's granted only in years when one bank stands significantly above others and was last awarded a year ago.

Brad Dyksterhouse, senior vice president of business resource lending for LMFC, says the focus of the program has been important for the banks, but even more so for the local economy.

"Everybody is going through the same struggle," he says. "The more we can get money out there, the more it can be allocated to paychecks."

He says both the USDA and SBA programs help loosen up money in geographical areas or industries that might otherwise be iffy for banks in the current economy.

"The programs provide a guarantee, which gives the bank more comfort to lend in conditions like this," Dyksterhouse says.

Officials at LMFC knew this area was ripe for the loans even before the Great Recession hit, says TBoNM's John Paul, president and CEO. And once the economy went bad, they figured the program would serve an important need even as times improved.

"As the economy recovered, we'd have businesses that were survivors but probably had their balance sheets challenged," Paul says. "They were going to be in need of working capital and expansion funds. The USDA and SBA programs were a nice bridge."

Paul says LMFC hired Dyksterhouse to head up the team because Paul had worked with Dyksterhouse at the former Old Kent Bank (now part of Fifth/Third Bank) and knew the banker had the experience necessary to help clients navigate the federal loan system.

"The process is very complex, and it's important to have a person with expertise," Paul said. His push to get Dyksterhouse on board proved correct; a year after Dyksterhouse was hired and the business lending program got rolling, the Small Business Administration granted the coveted "preferred lender status" to TBoNM and The Bank of Holland.

"That really speaks to the relationship (Dyksterhouse and his team) have built with the SBA," says Paul.

It also has a practical benefit for borrowers.

Preferred status can put a loan on the fast track by allowing the bank to approve guaranteed loans in-house rather than routing the process through the SBA.

With its preferred status and track record in place, TBoNM shows no sign of slowing down its SBA momentum—despite the recent reinstatement of fees the SBA had temporarily held back to spur loans during the recession.

"They re-instated the fees this year," says Paul, "but interest in the loans is still as robust as it ever was."

His optimism is well-founded. Of the \$70 million in loans LMFC has approved, \$40 million is still coming through the pipe.

Not a bad way to waltz into the next quarter.