Participation Loans

- What are they
- Why consider them
- How to get started

What are they

- Participation loans are created with two or more Credit Unions or FI's
- Seller must maintain 10% of the loan(s) UPB
- Buyer or Multiple buyers can not hold more than 90% of the loan or loans in a pool
- Participants agree to share in the loan payment streams as describe in the participation agreement documents.

Why Consider Participations

- Portfolio Balancing
- Interest Income
- Risk diversification
- Liquidity Source

How to get started

- A Policy is Required
  - Risk Tolerance (interest rate, term, LTV)
  - Loan Type (Commercial, Consumer, RE)
  - Geographic Considerations
  - Skill in evaluating and monitoring

How to get started

- Buying CU must complete due diligence and understand all aspects of the agreement
- Consider the underwriting standards used by the selling participant
- Loans need to meet underwriting requirements of buyers as determined by buyer's policy

How to get started

- Selling CU must understand the terms of the loan participation agreement
- Selling CU must fully disclose available historical information about the borrower(s), collateral and potential conflicts of interest
- Selling CU should maintain capability to buy back the sold interest

How to get started

- Brokers like FHN & Raymond James offer deals with their valuation and specific agreements for a fee
- CUSO's like LUCRO offer loan commercial loan review
- CU 2 CU

How to get started

- iTHINK Financial is looking for CU 2 CU Participants
- We have a Flexible / Mutual Agreement
- Master Agreement Establishes a Relationship Between Participants as both Buyer and Seller

How to get started

- Loan Certificates describe the transaction (Buyer/Seller, % of Participation, Servicing Rights, Premium, Recourse or Non-Recourse)
- Loan Summary describes the loan list or loan

Ready to get started?

Mark Skinner
561.982.4754
mskinner@ithinkfi.org