SteelBridge LABS | COMMUNITY CAPITAL

FROM THE DESK OF THE CEO

with **Garrett Smith,**
CEO & Founder of
Community Capital Technology

Presented by SteelBridge Labs

Amid growing economic uncertainty, the state of banking innovation is being tested and FinTech platforms and Financial Institutions must rise to the challenge.

In response to the ongoing COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). As part of this approximately $2 Trillion assistance, $349 billion of temporary relief is now available through the SBA and with evolving backing from the Fed. What does this evolving regulatory landscape mean for financial institutions and their loan portfolios?

Garrett Smith, CEO & Founder of Community Capital Technology, outlines the profound impact COVID-19 may have on the lending market - and how Community Capital ("CCT") enables financial institutions to effectively manage balance sheet optimization, risk concentration, and new working conditions.

Garrett Smith,
CEO & Founder
COMMUNITY CAPITAL

In your experience, how will a crisis such as COVID-19 affect the purchase and sale of loan assets?

Garrett: During the last several economic crises, the volume of loan trading increased. While this current crisis is unlike any we have really seen before, we do expect a similar uptick in loan transactions as financial institutions strive to more tightly manage their portfolios and liquidity. It is anticipated that many small businesses, particularly those in the services and hospitality industries, will be significantly affected by the pandemic with some difficult days ahead. We can already see the impact unfolding with unemployment claims already topping 10 million. As inevitable challenges emerge in loan portfolios, regional and community banks across the U.S. will be actively seeking support in managing balance sheet risk and maintaining liquidity through multiple channels, including the sale and/or purchase of loan assets.

What will be a critical priority for banks and financial institutions with the passage of the CARES Act?

Garrett: The main priority for CCT clients and other financial institutions will be identifying the optimal process to receive and process customer applications for the Small Business Administration (SBA) funding. Almost every capital markets banker and relationship banker has been pulled into the SBA process and institutions of every size are scrambling to simultaneously manage the process, internal resourcing and client expectations. Now, they will need to determine how to efficiently receive, review, and distribute SBA funding in order to provide critical financing to small businesses across the country.

With asset repricing and working-from-home on the rise, the CCT platform is an efficient, cost-effective solution for banks and asset managers alike.

As the COVID-19 pandemic persists, it is possible the industry will witness slower demand for loans and debt origination. How can financial institutions prepare for this scenario?

Garrett: We don’t expect significantly lower demand overall for new originations, but instead a shift in the source and type of demand. While origination standards will tighten and certain areas may see a near-term slowdown as the economy reawakens and re-stabilizes, there will also be new business and investment opportunities that arise from the dislocation of supply chains, de-globalization and the remote working format. Furthermore, the recently passed SBA CARES Act has already sparked an enormous uptick in loan applications as business seek additional near-term credit to counterbalance the impact of the pandemic on operations.

In the midst of these rapidly evolving market dynamics, maintaining liquidity and a stable capital base will be critical for financial institutions, regardless of size - and many institutions will likely be compelled to move older or under-performing assets off the balance sheet in the coming months, often at discounted pricing. Interestingly, we are already seeing the impact of the emerging dynamics as our bank members are actively leveraging our business intelligence dashboards and loan trading exchange to review portfolio risk concentrations and manage their balance sheet through asset acquisition and disposition initiatives

In recent conversations with CCT's regional and community clients, what do you find is their biggest concern for the next 1-3 months?

Garrett: Our financial institution clients' immediate concerns are supporting their customers and fulfilling their role as the “systemic stabilizers” to our economy during this uncertain period. As they seek to ensure access to capital for small businesses and consumers, they fully anticipate working with clients on extending lines of credit, term loans, etc. Banks understand that giving their customers' ease on loan delinquency is important and necessary to safeguard liquidity. And not only are they fielding inbound calls from concerned customers, but they are also proactively calling them to understand who needs assistance with repayments and remittances on existing loans.

Now that the government stimulus is approved, banks are endeavoring to quickly support clients in accessing this capital to shore up near term cash positions, while simultaneously evaluating the risks in their loan portfolios – seeking to identify which loan payments will not be met and where delinquencies are rising in order to reduce exposure and determine how to accurately price their book and strengthen their balance sheets. We are working side-by-side with many of these institutions now to help them identify how the market would price their books and assess the balance sheet impact of buying and selling certain assets in the near and longer term.

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> Community Capital is an end-to-end solution for balance sheet optimization, in good times and in challenging times. For portfolio valuation, our analytics and price discovery functionality allows financial institutions to understand exactly what their portfolio is worth.

About Community Capital

Community Capital is a secure, digital exchange for loan assets and portfolio analytics. The CCT platform is designed exclusively to serve and empower the financial institutions focused on serving regional and local communities across the U.S.

Community Capital provides a convenient, cost effective solution for Regional and Community Banks, Credit Unions, and CDFIs to participate in quality loan originations, post, and analyze their own assets - with the goal to maintain and improve financial strength so they can focus on better serving their clients and communities through greater capital access.

Member firms are able to efficiently find relevant opportunities or partners, actively manage balance sheet risk, and drive returns, resulting in better access to capital for their clients and communities. CCT has offices in New York, Boston, Chicago, and Denver.

For more information, visit communityct.com.

About SteelBridge Labs

SteelBridge Labs is an early-stage FinTech incubator. Organically grown from their experience as world-class management consultants at SteelBridge Consulting, the founders of SteelBridge Labs work with both investors and management teams to ensure exceptional software companies are well positioned to return strong investor value.

The Lab offers seed capital, financial technology expertise, and a proven methodology for taking FinTech innovation from its infancy into established financial services firms. SteelBridge Labs has offices in Pittsburgh and Miami.

How will the CCT Platform effectively address short-term regulation easements and market stress tests?

Garrett: CCT is an end-to-end solution for balance sheet optimization, in good times and in challenging times. For portfolio valuation, CCT's analytics and price discovery functionality allows financial institutions to understand exactly what their portfolio is worth. In addition to various buyer and seller types, CCT has a number of different institutional and family asset managers on the platform that are interested in collaborating with banks.

With market volatility, how does CCT enable financial institutions to effectively manage their portfolios?

Garrett: At CCT, we seek to bring greater transparency and control to balance sheet management. Banks can quickly and easily view their portfolio concentration risks and simultaneously identify opportunities on either the buy or sell side. And our solution not only enables banks identify opportunities and see the potential impact of these transactions, but then also provides the ability to execute on them real-time.

By pairing actionable business intelligence insights with an active loan trading exchange, we offer our members a powerful liquidity management tool that can transform their ability to efficiently and proactively manage their balance sheet, regardless of market conditions. For example, if loan origination is stronger than expected and you're seeing over-concentration in the portfolio, but you don't want to turn away business, our marketplace can be used to lay off some of the risk.

In more complex market environments like today, the breadth of our exchange from a membership and asset class diversity standpoint helps to ensure that you can address any loan portfolio challenge efficiently. With member counterparties ranging from other community banks to large regionals, credit unions, hedge funds and insurance companies – paired with a broad range of deal flow ranging from C&I and CRE to Consumer – we are able to help directly and efficiently address our members' liquidity needs regardless of the current credit cycle dynamics. ◆