



Wednesday , May 20th @ 1:00 PM

Why Banks Need to Participate in the Main Street Lending Program



FEATURING



Dallas Wells

SVP, Strategic Innovation
PrecisionLender, a Q2 Company



Rollie Tillman

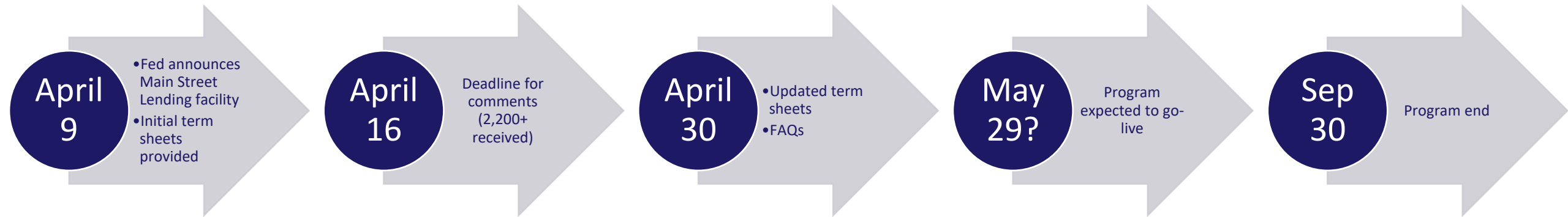
Principal Solutions Consultant
PrecisionLender, a Q2 Company

Agenda

1. Status of Main Street Lending Program (MSLP)
2. Growing Credit Risk
3. MSLP as Risk Mitigation
4. Is MSLP Profitable?
5. Navigating MSLP
6. Demo of CARES skill from Andi

Status of Main Street Lending Program

***As of May 20, 2020*



Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	\$500,000	\$500,000	\$10,000,000
Maximum Loan Size*	The lesser of \$25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA	The lesser of \$25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA	The lesser of \$200M, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA
Risk Retention	5%	15%	5%
Payment (year one deferred for all)	Years 2-4: 33.33% each year	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

Outstanding Questions

- How will defaults be handled?
- What is the bank's obligation around monitoring borrower attestations?
- Will help be offered to non-profits?

Poll Question

How does your institution intend to participate in the Main Street Lending Program?

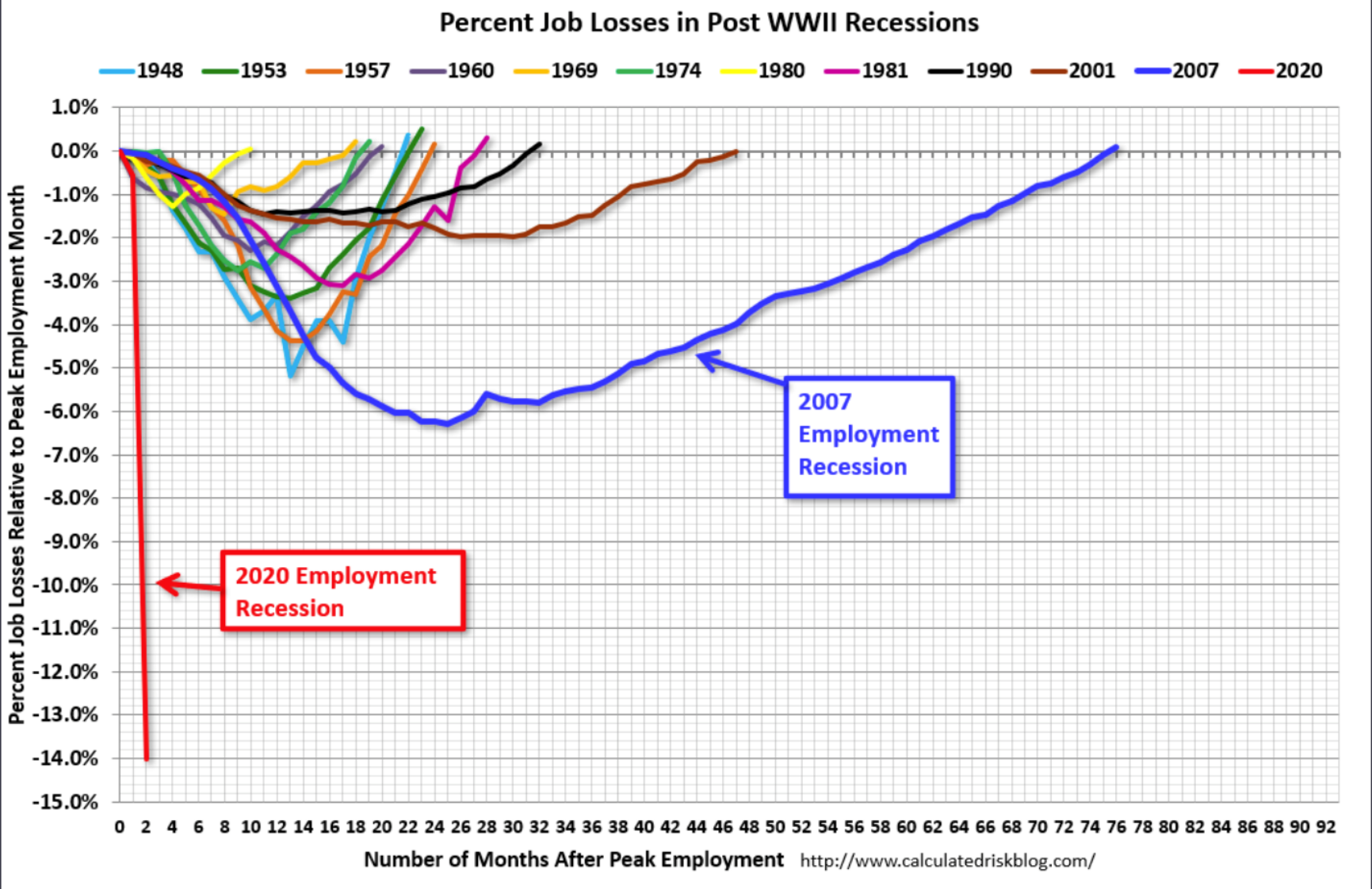
- Most likely not participating
- Selectively with customers that are at an elevated risk of default
- Extensively with any customer that could benefit
- Widely offered to all applicants

Poll Question

Is your institution ready for the Main Street Lending Program?

- Yes, bring it on!
- We're getting there, but still have some details to work out
- We have barely started

Growing Risk



Growing Risk

Lasting impact

The Fed's efforts to revive the economy could lead to a steep drop in net interest margins through at least next year

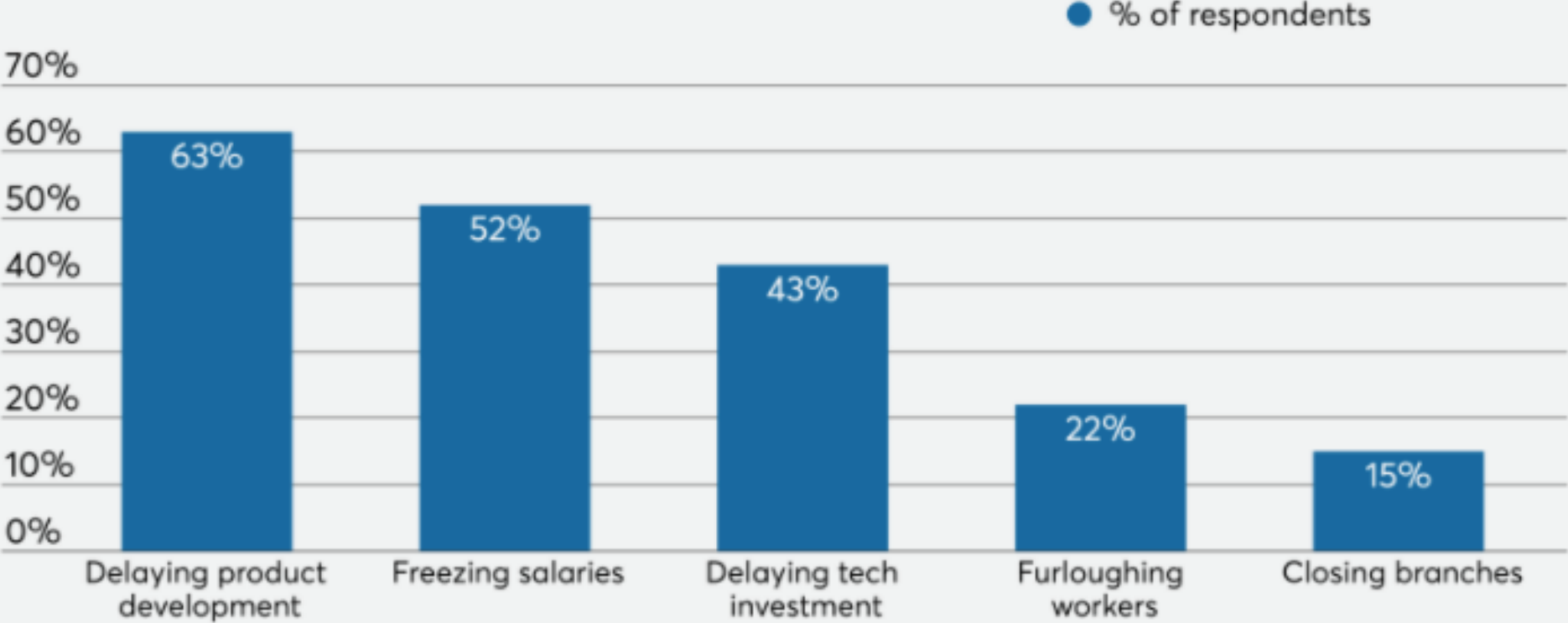


Source: Piper Sandler (median NIM for 200 banks)

Growing Risk

Weighing their options

More than 500 bankers were asked what actions they're considering as the economy slips into recession. Here are some of their responses:



Source: Promontory Interfinancial Network

Growing Risk

Drastic measures

Online lenders have taken a series of dramatic actions in an effort to survive the downturn brought on by the coronavirus pandemic

LendingClub: Slashing loan originations by 90%, laying off 460 workers

Afterpay: Cutting expenses, drawing on \$97 million credit line

OnDeck Capital: Pausing originations of small-business loans

Square: Halting loan offers to merchants that use its payments service

Source: Company reports

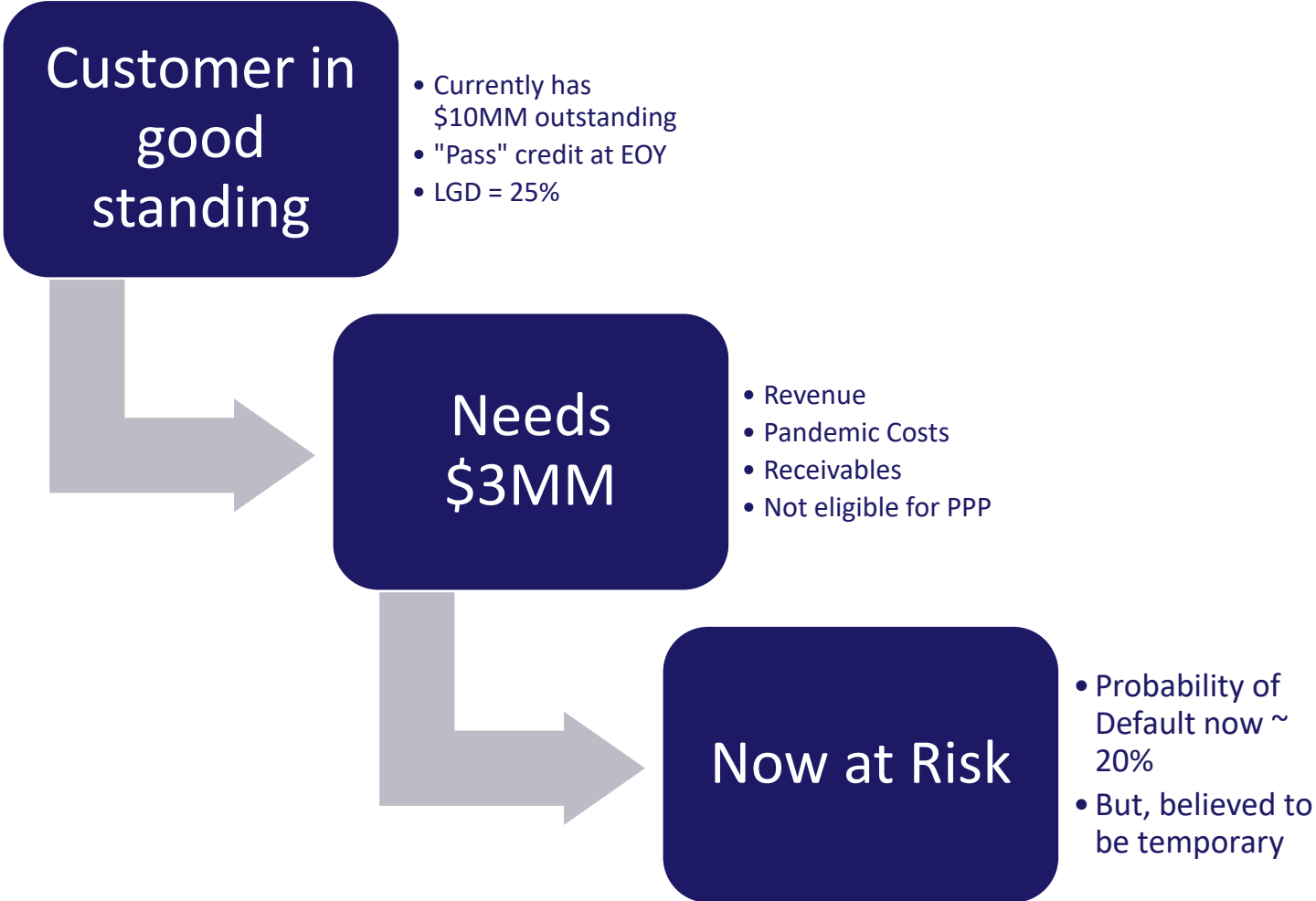
Poll Question

Approximately what percentage of your commercial portfolio has requested and/or been granted forbearance of some kind?

- Less than 5%
- 5% to 10%
- More than 10%

MSLP as Risk Mitigation

A use case for mitigating risk



No Additional Funding

Existing \$10MM Debt

Probability of Default = 20%
*
Loss Given Default = 25%
Expected Loss = 5%



Total Expected Loss \$500,000

New Funding From Bank

Existing \$10MM Debt

Probability of Default = 15%
*
Loss Given Default = 25%
Expected Loss = 3.75%, \$375,000



New Bank Loan \$3MM

Probability of Default = 15%
*
Loss Given Default = 100%
Expected Loss = 15%, \$450,000



Total Expected Loss \$825,000

Main Street Lending

Existing \$10MM Debt

Probability of Default = 15%
*
Loss Given Default = 25%
Expected Loss = 3.75%, \$375,000



Main Street New Loan \$3MM

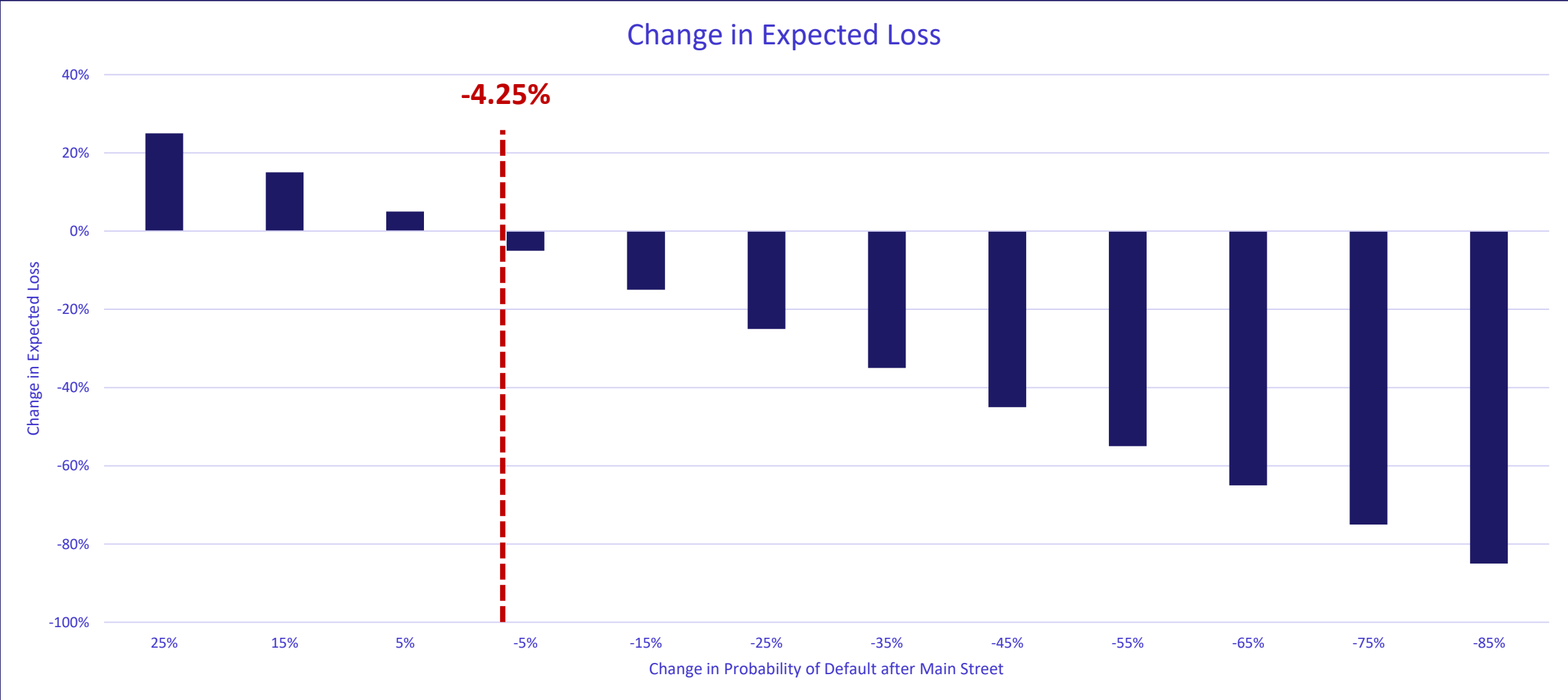
Bank Retains \$150k

Probability of Default = 15%
*
Loss Given Default = 100%
Expected Loss = 15%, \$22,500



Total Expected Loss \$397,500

MSLP as Risk Mitigation



Is MSLP Profitable?

Print
Save
Transfer
Delete
Close
Advanced Analytics
Assumptions

Name:
Owner:
Current Scenario (1 of 1):
+ New
Manage All

Stage:
Pricing Date:
Pricing Region:
Projected Close Date:
Pipeline Scenario:

Add Term Loan

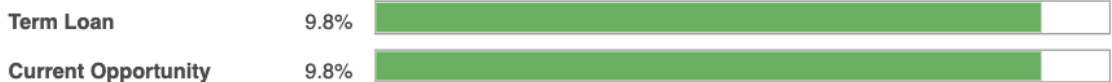
Deposits 0
Other 0
Financial Statements

Amount:
Initial Rate:
Payment Type:
Interest Options:
Maturity:
Amortization:
Rate Type:
Index:
Spread:
Caps And Floors:

Fees:
Origination Channel:
Servicing Channel:
Risk Rating:
Collateral:
Guarantees:
Participations:
Payoff/Renewal:

Opportunity Summary

ROE



Is MSLP Profitable?



Print Save Transfer Delete Close Advanced Analytics Assumptions

Name: New Opportunity
Owner: Dallas Wells
Current Scenario (1 of 1): Scenario 1 + New Manage All

Stage: Main Street Priority
Pricing Date: 5/20/2020
Pricing Region: Main Street Example Bank
Projected Close Date: 8/18/2020
Pipeline Scenario: Scenario 1 (Currently Pricing)

Add Term Loan Deposits 0 Other 0 Financial Statements Notes

Amount: \$3,000,000 \$450,000 Retained
Initial Rate: 3.171% (0.171% index + 3.0% spread)
Payment Type: Amortizing
Interest Options: Actual/360 / Monthly
Maturity: 48 months
Amortization: 48 months Custom Amortization
Rate Type: Floating
Index: Libor Auto: [Libor 1-Month : 0.171%]
Spread: 3.0%
Caps And Floors: None

Fees: \$30,000
Origination Channel: New Business
Servicing Channel: Standard
Risk Rating: 4
Collateral: Unsecured
Guarantees: None
Participations: \$2,550,000 - 1 Participating Bank
Payoff/Renewal: None

Opportunity Summary



Is MSLP Profitable?



Print Save Transfer Delete Close Advanced Analytics Assumptions

Name: New Opportunity
Owner: Dallas Wells
Current Scenario (1 of 1): Scenario 1 + New Manage All

Stage: Main Street New
Pricing Date: 5/20/2020
Pricing Region: Main Street Example Bank
Projected Close Date: 8/18/2020
Pipeline Scenario: Scenario 1 (Currently Pricing)

Add Term Loan Deposits 0 Other 0 Financial Statements Notes

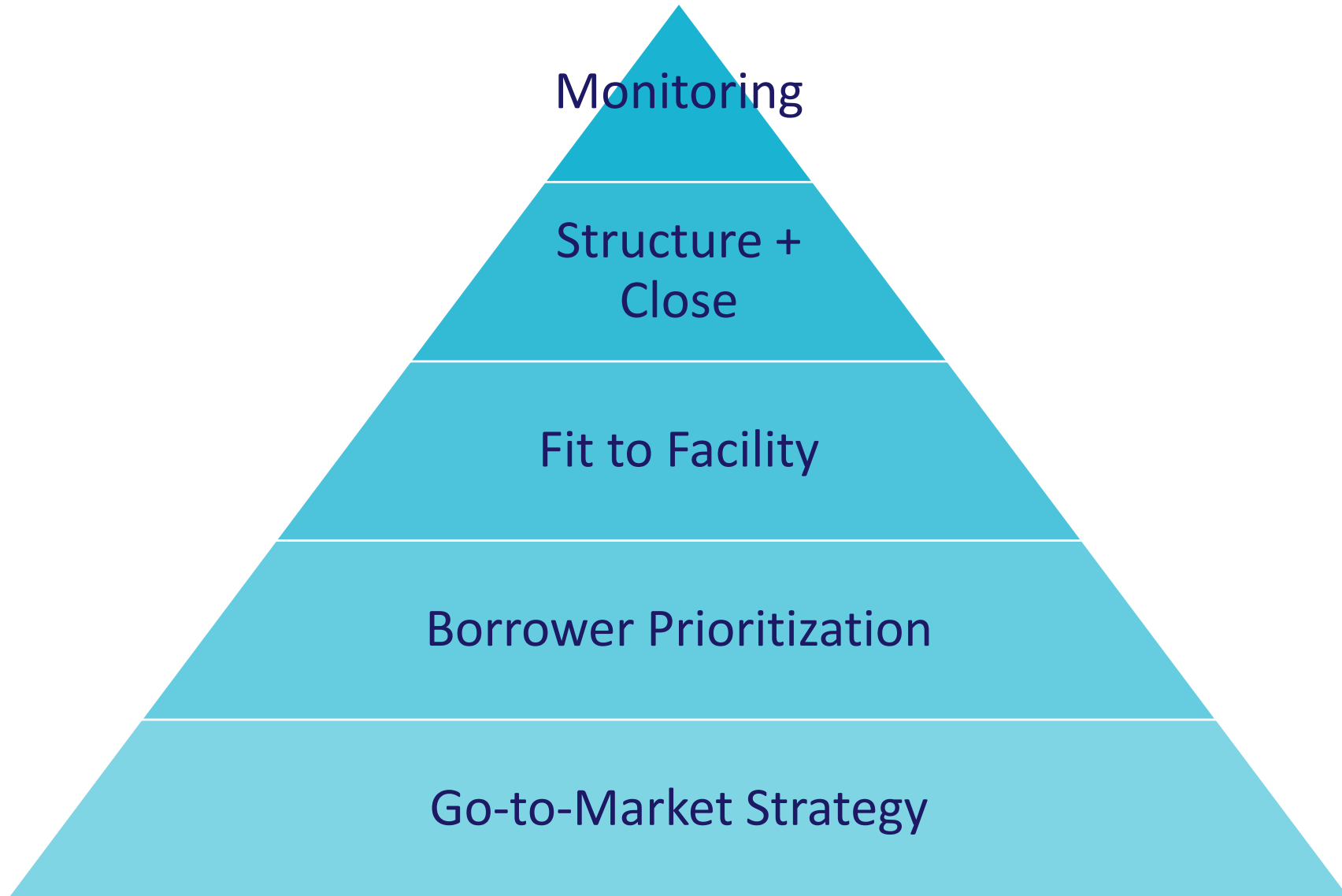
Amount: \$3,000,000 \$150,000 Retained
Initial Rate: 3.171% (0.171% index + 3.0% spread)
Payment Type: Amortizing
Interest Options: Actual/360 / Monthly
Maturity: 48 months
Amortization: 48 months Custom Amortization
Rate Type: Floating
Index: Libor Auto: [Libor 1-Month : 0.171%]
Spread: 3.0%
Caps And Floors: None

Fees: \$30,000
Origination Channel: New Business
Servicing Channel: Standard
Risk Rating: 4.
Collateral: \$2,000,000 / 150% LTV
Guarantees: None
Participations: \$2,850,000 - 1 Participating Bank
Payoff/Renewal: None

Opportunity Summary



Navigating MSLP



Demo of CARES Skill

Final Question

Would you like for us to contact you?

- Yes, I am a client interested in turning on the CARES skill in my instance
- I am not a current client, but would like to discuss the CARES Edition of PrecisionLender

precision**lender**.
a **Q2** company