



Digital Lending & Servicing Commercial Loans

CUREN Presentation 7.22

www.Lucro.org

Presenter

- Jim Gallagher, CEO Emeritus – 40 years in Banking with Barnett Bank, SunTrust Bank, Underwriter, Commercial Lender, Commercial Manager, Managed Centralized Underwriting Units. Founded Lucro (MBS) in 2003.



- **Emeritus**

e-mer-i-tus – latin derivation

former holder of an office, having retired but allowed to retain title as an honor

generally - does whatever he/she pleases , specifically - as little as possible

not responsible for employees or examiners

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Who is Lucro?

What We Do

- Underwriting
- Documentation
- Servicing
- Real Estate

Experience Matters

- Underwriting 425 years
- Documentation 115 years
- Servicing 100 years
- Real Estate 40 years



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Why Consider A Commercial Digital Solution?

- Eight in every 10 Americans prefer banking digitally over visiting a physical branch
- 82% of Consumers have not switched financial institutions because their current bank has a secure intuitive and convenient digital banking platform – powerful retention tool

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Branch Paradigm

- The Good Old Days with healthy interest margins and plentiful fees

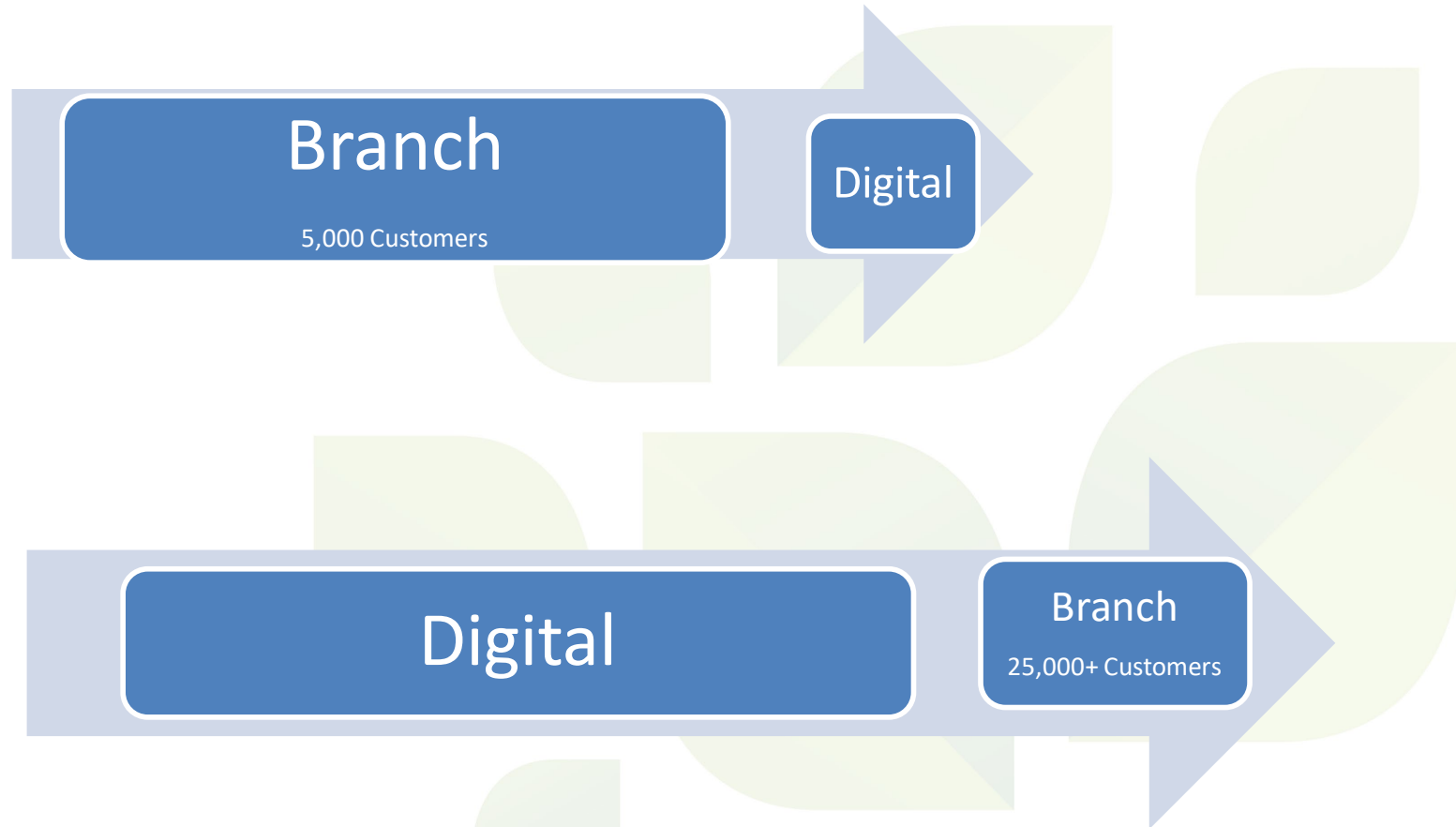
Profitability hurdle was \$40 – 50mm in Assets

- New Reality compressed margins and less fee opportunities

Profitability target \$300mm + in Assets

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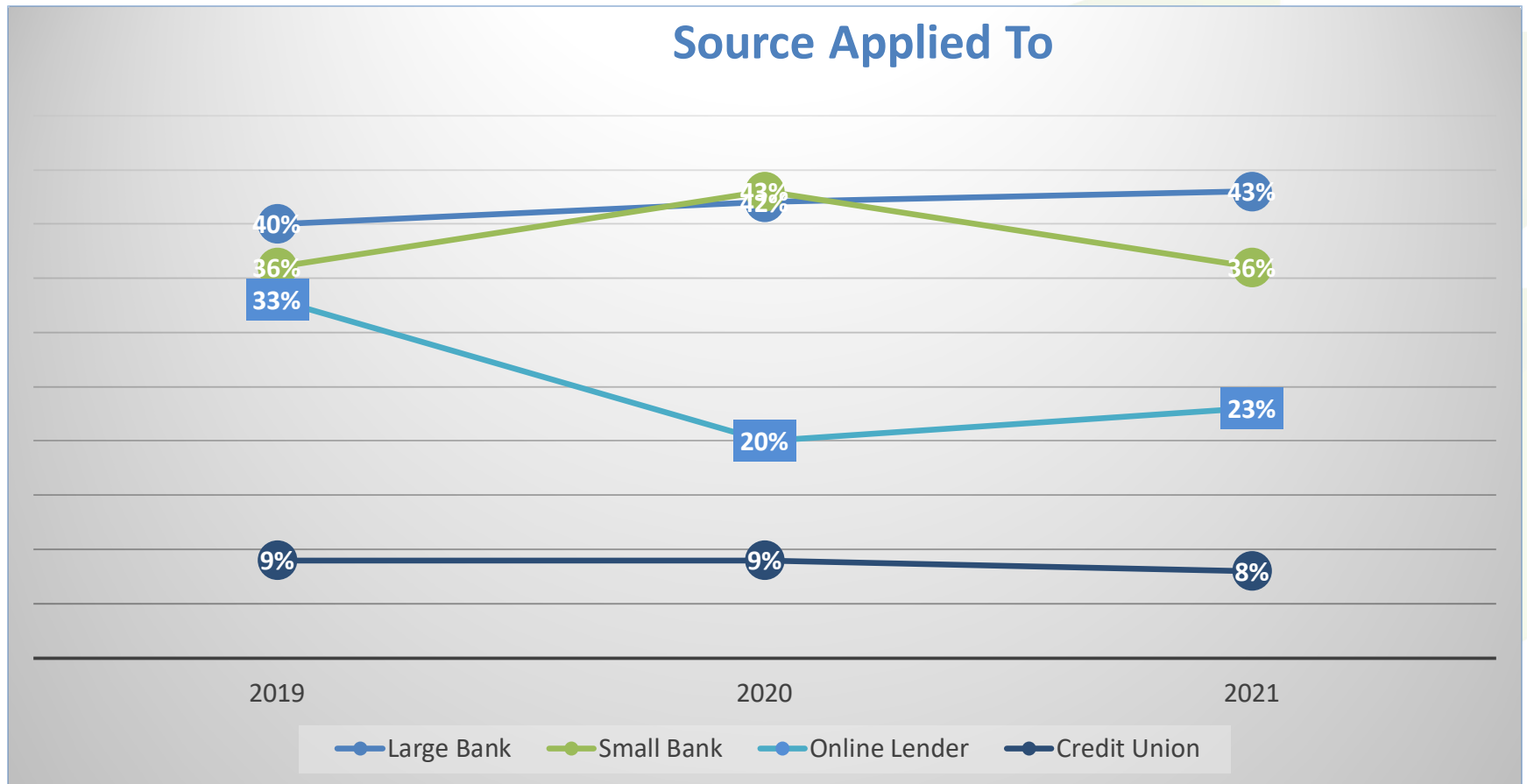
New Delivery Paradigm



80% of Americans prefer digital to branch visit

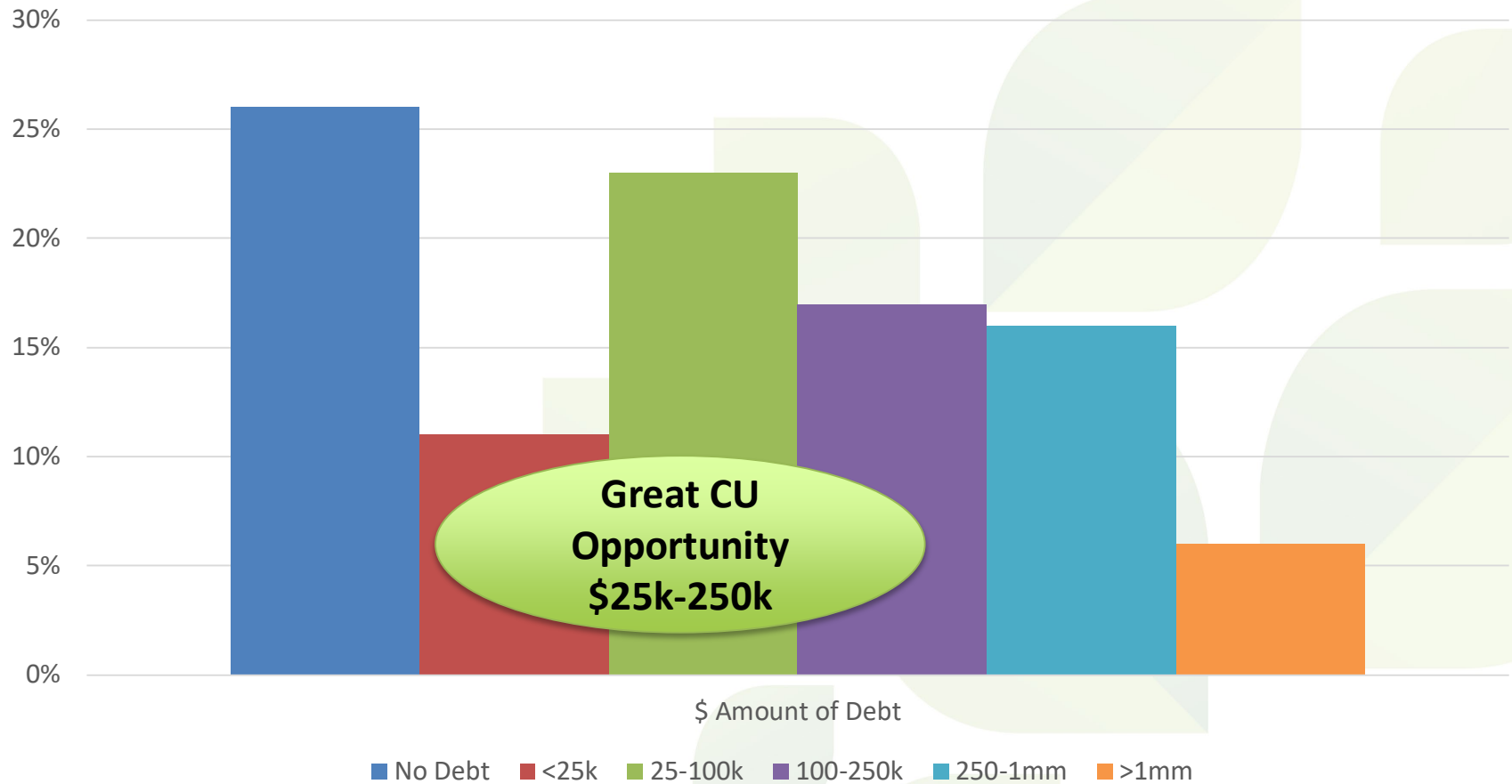
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Credit Source Growth



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Market Opportunity



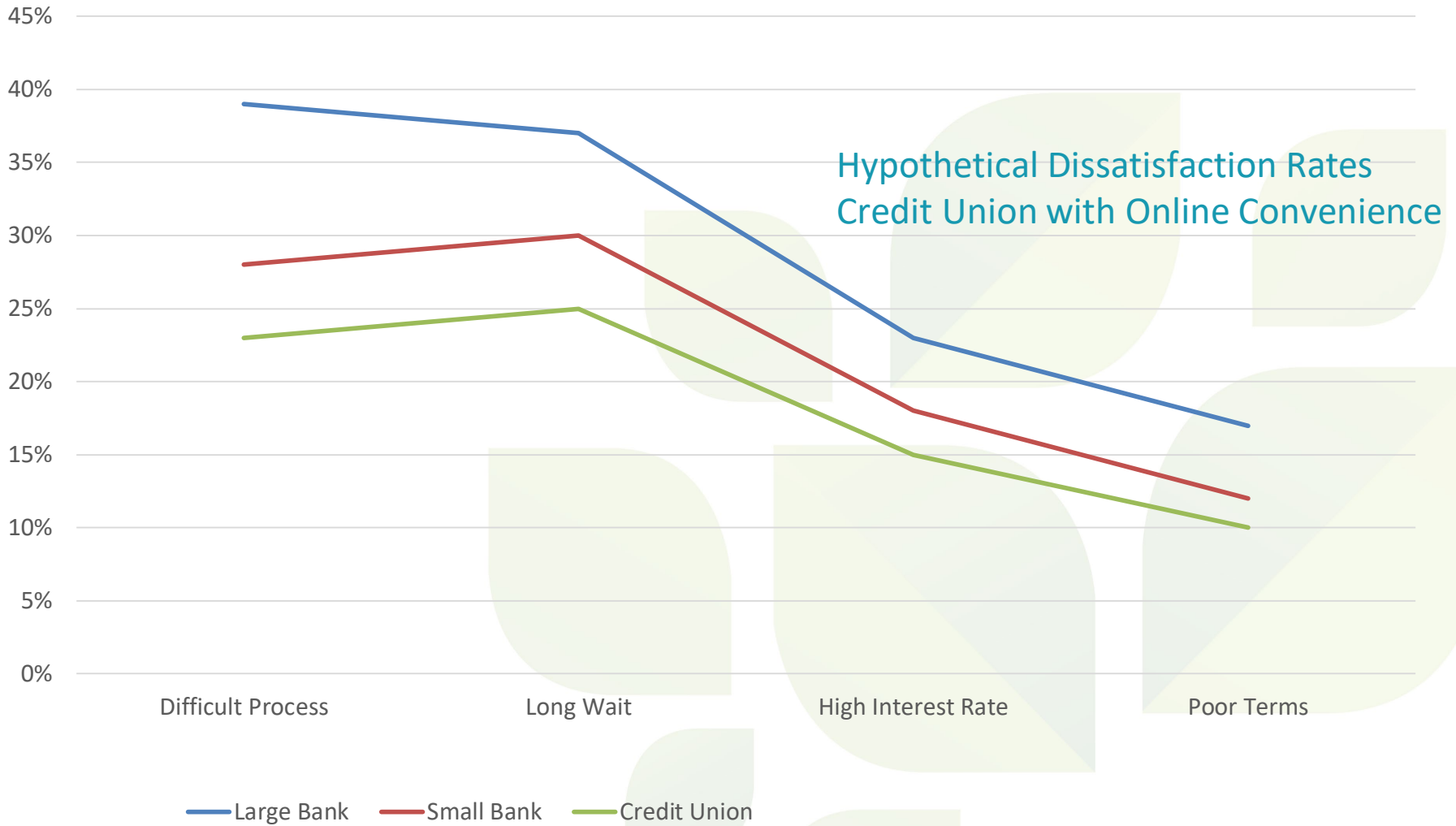
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Application Dissatisfaction Rates



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Credit Union Online Opportunity



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Alternate Data Usage

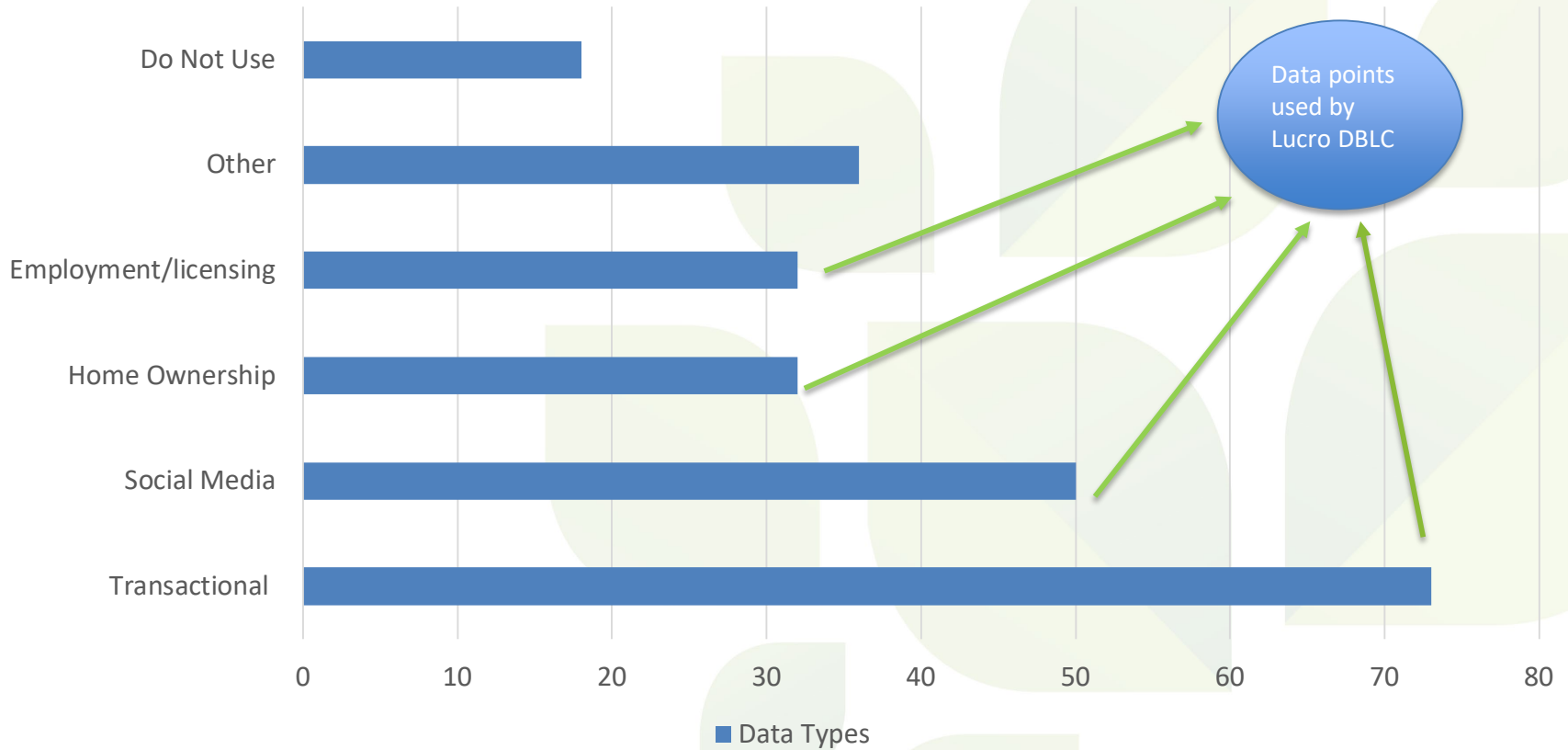
Number of Alternate Data Sources By Lender Type



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Alternative Data Sources

Types Used by Depository Institutions



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Heather Bosenko

DBLC Manager/Product Owner



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What is the DBLC?



Cloud based



Institution branded



Customizable products



Customizable to your credit policy

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DBLC Features



Automated document collection



Third party integrations



Workflow management



Communication tools

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The DBLC Difference



Backed by Lucro support



Ease of implementation



Data security



Development team on staff

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Credit Considerations

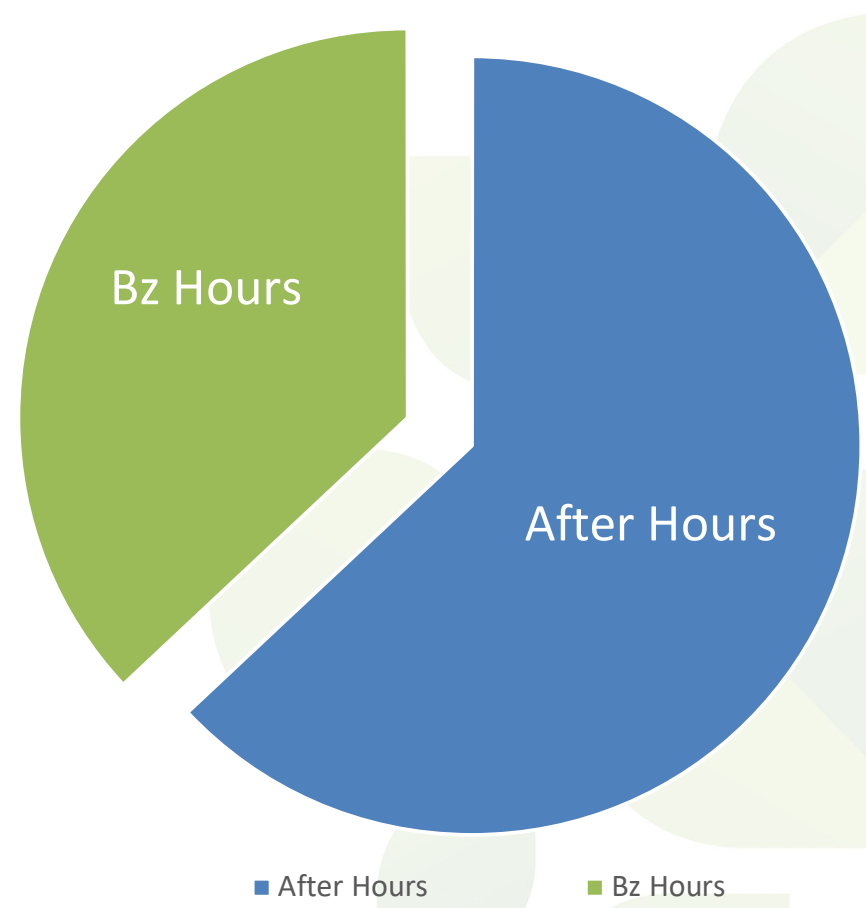
Automatic Screening

- Zip Code
- Time in Business
- Member/Nonmember
- Owners Score(s)

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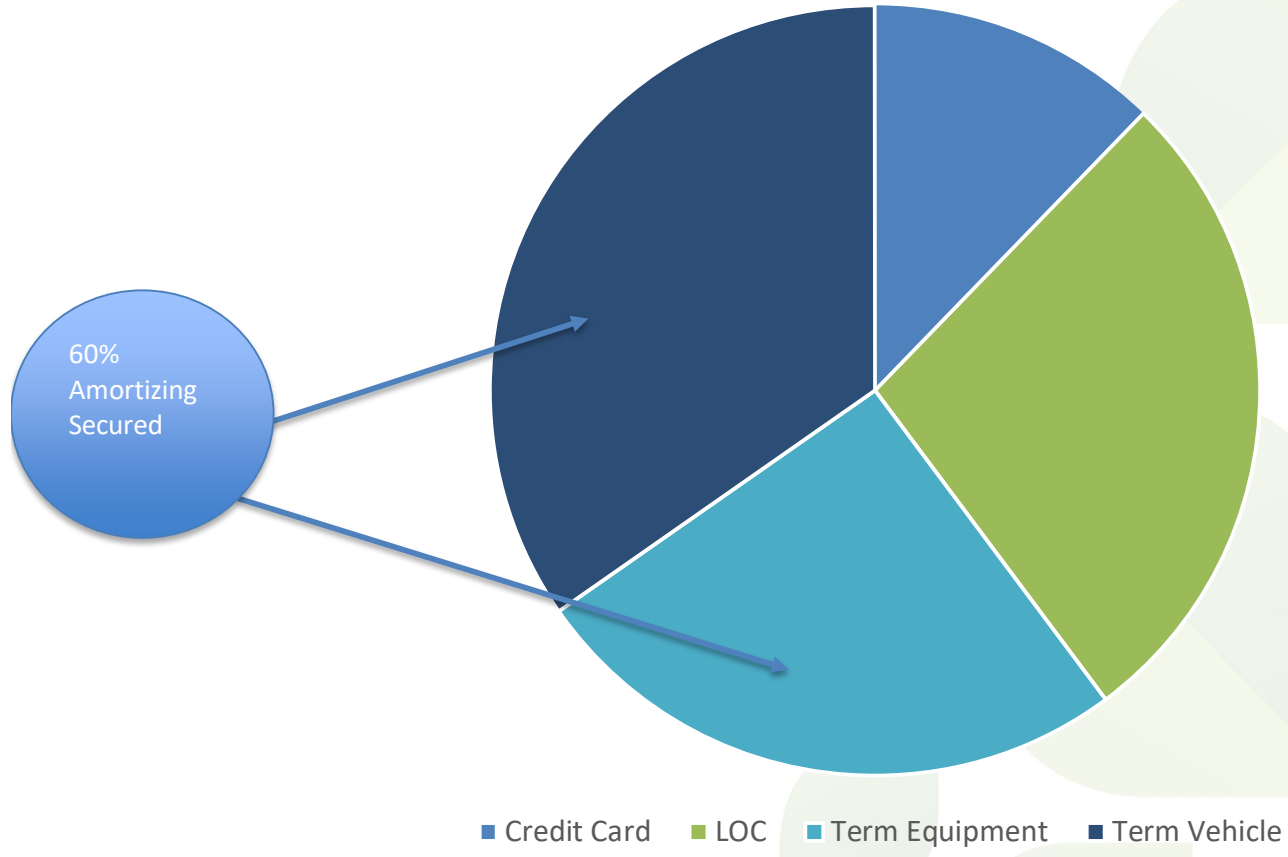


Application Times





Product Mix



This was probably the easiest application process I have ever been through in applying for a loan!

Very easy and complete!

It was fantastic!

It was really easy!

The digital portal and the entire process from beginning to end was easy to follow and administer!

Borrower Feedback

The application was smooth and easy, straightforward!

It was fast and simple!

This was probably the easiest application process I have ever been through in applying for a loan!

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Let's find a

loan for your business.

Click continue to answer a few quick questions to help find the right loan for you.

Please make sure you have access to the following information. We might ask for it during the application process:

- Personal Financial Info
- Business Financial Info

[Continue](#)



Lucro DBLC Experience

- 5,433 Digital Applications
- 44 Credit Unions
- \$146,745,811 Total \$ Volume
- Excellent Credit Quality/Positive Correlation to Non-Digital Originations

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DBLC Setup

Product Settings									
Loan Application Acceptance Criteria									
Loan Product-->	DBLC Institution Setup Guide Reference	Term Titled		Term Other		Credit Card		LOC	
Do you wish to offer?	Page 6	Yes		Yes		Yes		Yes	
Minimum Time in Business	Page 7	0		1		0		3	
Maximum Loan Amount	Page 7	100,000		100,000		50,000		50,000	
Available Purposes (chose those you wish to offer)	Page 6	Yes	Vehicle Purchase or Refinance	Yes	Equipment Purchase or Refinance	Yes	Business Credit Card	Yes	Marketing
								Yes	Purchase Inventory
								Yes	Working Capital
								Yes	Business Expansion
Request Borrower's desired loan duration?	Page 7	Yes		Yes					
Credit Score Needed to Complete Application Process									
Minimum Credit Score	Page 7	650		650		650		680	
Personal & Business Info Criteria									
Request Financials?	Page 7	Yes		Yes		Yes		Yes	
Minimum Loan amount to ask for financials		50,000		50,000		30,000		25,000	
Maximum personal credit score to ask for financials?		680		680		680		700	
Auto CAM Reporting Criteria									
Auto CAM Report?	Page 7	Yes		Yes		Yes		Yes	
Minimum Time in Biz for Auto Report		3		3		5		5	
Maximum Loan Amount for Auto Report		20,000		20,000		25,000		25,000	
Minimum Credit Score for Auto Report		750		750		750		750	



Opportunity

- Use digital tools to attract and retain qualified SB Borrowers
- Maintain/Enhance existing credit criteria
- Avoid unsecured/under-secured transactions
– move to credit card
- Price accordingly to capture yield opportunities

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Servicing Commercial Loans



Christie Varriale
Loan Portfolio Manager



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Options to Service Commercial Loans

- 1 Outsource
- 2 Manipulate Existing Core Functionality
- 3 Purchase Additional Core Functionality

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Outsourcing Issues

Minimal Impact on Existing Staff

Possible Reduced Yield

No Upfront Investment (Budget)

Core Connectivity/Home Banking View

Potentially Better Member Service

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Servicing Issues Unique to Commercial



Variable rates tied to Prime, CMT etc.



Covenant Tracking (Equity, Debt Service, New Debt etc.)



Periodic reviews



Modifications

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Commercial Rates

- Prime Rate – daily, monthly, quarterly
- CMT (Constant Maturity Treasury) 1/3/5 years
- LIBOR/SOFR (Secured Overnight Financing Rate)
- Balloons vs. Rate adjust

Covenant Tracking

In addition to standard insurance and taxes the NCUA expects loans of any size/complexity to have loan covenants that must be tracked

- Debt Service Coverage Ratio
- Debt-to-Equity Ratio
- Tangible Net Worth
- Dividend Payout
- No New Debt

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Periodic Reviews

Regulatory Priority

All loans receive limited annual review

Push Full reviews to 3/5 year intervals on lesser exposure

Limit full annual reviews to larger \$ relationships

Must include Collateral Reevaluation

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Modifications

Rate
adjustment
(dropping rate
environment)

Payment
adjustment

Collateral
Substitution

Future Advance
request

Substitute
or release
guarantors

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QUESTIONS?



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