

Best Practices in an Unprecedented Economic Crisis

COVID & the 3rd Line of Defense

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Traditional Annual Review

- ▶ Analysis of historical financials
- ▶ Financial spreads and cash flow
- ▶ Covenant testing
- ▶ Collateral analysis
- ▶ Guarantor analysis
- ▶ Typically completed by Credit Underwriter or Analyst

Performance Based Review

- ▶ Quarterly projections obtained when possible
- ▶ Covenants waived
- ▶ Current due diligence searches
- ▶ High-touch: risk assessment based on conversations with borrower
- ▶ Completed by Relationship Manager or Portfolio Manager

PERFORMANCE BASED REVIEW

Due to the extraordinary circumstances caused by the COVID-19 pandemic, the quarterly relationship review for this borrower is being completed utilizing current financial information rather than a historical look-back. The Bank has not waived the right to receive historical information. **Higher risk customers may require more frequent contact.**

BORROWER INFORMATION

Relationship Name:	_____	Relationship Manager:	_____
Relationship # RIF:	_____	Analyst / Underwriter:	_____
Total Tier 1 Commitment:	\$0	Current Risk Rating:	Select One
Total Tier 2 Commitment:	\$0	New Risk Rating:	Select One
Total Combined Commitment:	\$0	Date Completed:	_____
NAICS Code	_____	Next Review Date:	_____

BORROWER'S CURRENT FINANCIAL STATUS

Loan Deferral:	<u>yes/no</u>	Deferral Type:	<u>Select One</u>	Deferral Period:	<u>Select One</u>
Covenants:	<u>yes/no</u>	Covenant Waiver Date (required if covenants=yes):	_____	Waiver in Synergy	<u>Select One</u>
Date of Last Customer Contact:	_____				

RELATIONSHIP MANAGER COMMENTS

The general topics to be discussed in this box has to do with the(1.) How has your business been impacted by the mandated shutdown ? (2.) What do you see as your short-term challenges (3.) What's your business plan going forward. Relationship Managers : Remember this is a 90 day look-see. As the economy emerges from the quarantine our borrowers may face different challenges 90 days from now than they do today. We need to be in contact with our borrowers on a regular basis to understand their on-going needs.

Other questions that could be of importance:

- Borrower's Current Financial Situation
 - What's the backlog and demand for their product
 - Do they have a supply chain issue for raw materials
 - Do they have a supply chain issue for product delivery
 - Is their FTE count consistent with pre-crisis levels
 - How have they changed their operations based on COVID-19
 - What's their 60 day forward look at profit, sales, business in general
 - What are their potential borrowing needs
- Do you have a plan to protect your employees from COVID-19
If you received a PPP Loan, how was it utilized

CUSTOMER PERFORMANCE

	<u>Assessment</u>	<u>Comments</u>
Loan Payment Performance	Select One	e.g. All payments made as agreed.
Line of Credit Average Usage	Select One	e.g. Average LOC usage is ##%
Deposit Account Balances	Select One	e.g. YTD Average collected balance is \$###M
Deposit Account NSF's / ODs	Select One	# of NSF's, #ODs
Real Estate Search(es)	Select One	Report Date(s) - Lien Position Verified? - Taxes Current?
UCC Search(es)	Select One	Report Date(s) - Lien Position Verified? - Taxes Current?
LexisNexis Report(s)	Select One	Report Date(s) - No New Material Adverse Items?
Credit Bureau Report(s)	Select One	Report Date(s) - Score(s)? - Material Deterioration in Score(s)?
Other Comments:		

Also consider

Are payments are extending beyond the due due date? Beyond grace period?
Is line usage increasing ? Does the line still fluctuate ?
Are deposit balances decreasing ?

Unexpected liens ? Investigate or comment

Unexpected liens ? Investigate or comment

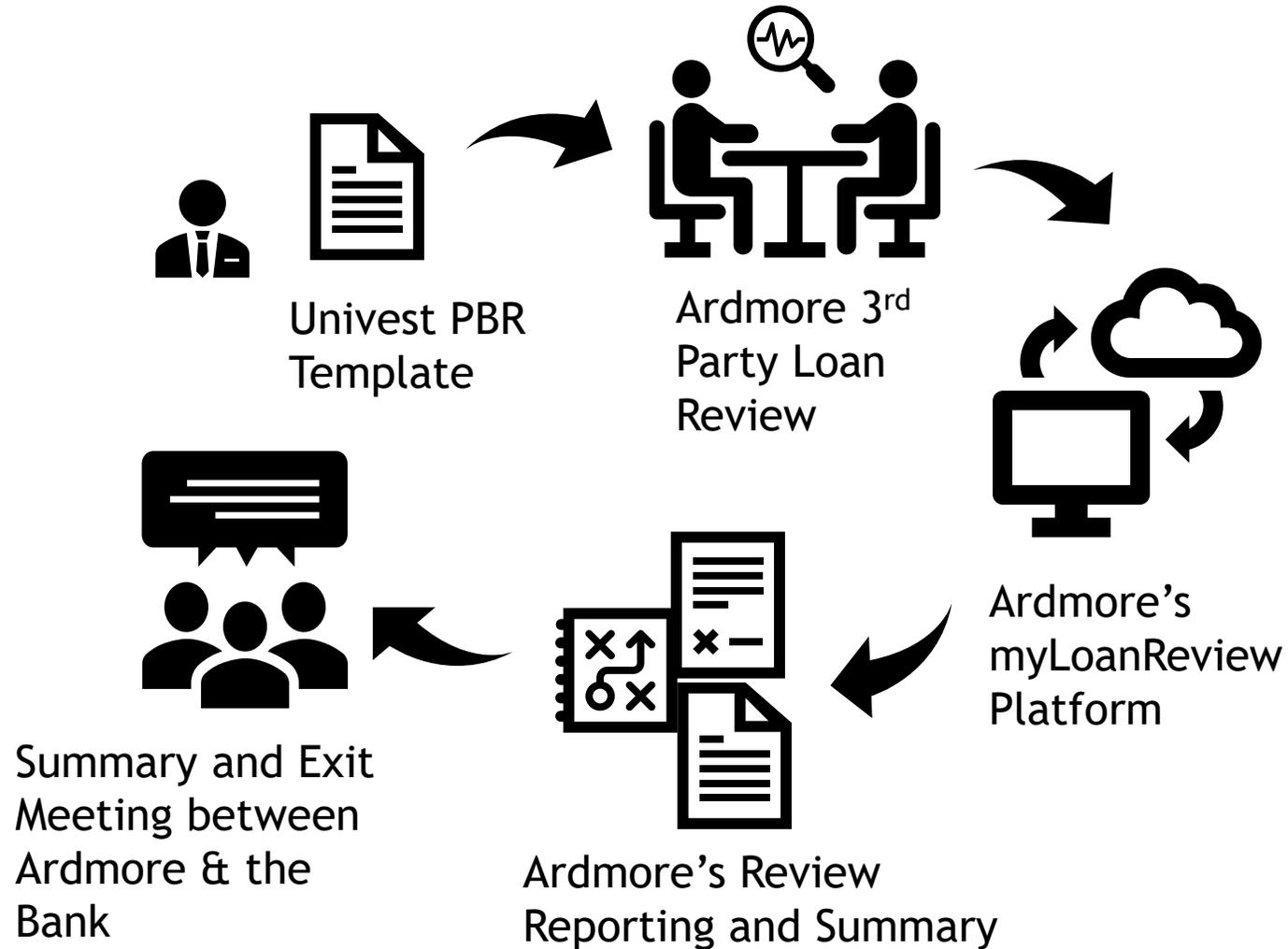
Analyze and elevate to a supervisor

Credit Report Scores less than 680 should be investigated for deterioration

Changes to the PBR Process for 2021

- ▶ Tiered strategy based on relationship size
 - ▶ Large relationships reviewed quarterly with CCO sign off
 - ▶ Medium sized relationships reviewed bi-annually with CCO sign off
 - ▶ Small relationship reviewed annually with Team Leader sign off
- ▶ Move from Excel template to nCino template
 - ▶ Customer data auto-fills
 - ▶ Review ticklers update automatically upon completion
 - ▶ Enhanced reporting

Ardmore 3rd Party Loan Review for Univest



Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions

Examiners will consider the unique, evolving, and potentially long-term nature of the issues confronting institutions and exercise appropriate flexibility in their supervisory response. Stresses caused by COVID-19 can adversely impact an institution's financial condition and operational capabilities, even when institution management has appropriate governance and risk management systems in place to identify, monitor, and control risk. **Examiners will continue to assess institutions in accordance with existing agency policies and procedures** and may provide supervisory feedback, or downgrade an institution's composite or component ratings, when conditions have deteriorated. In conducting their supervisory assessment, examiners will consider whether institution management has managed risk appropriately, including taking appropriate actions in response to stresses caused by COVID-19 impacts.

The agencies have issued numerous statements related to supervisory policy since the declaration of the national emergency. **Appropriate actions taken by institutions in good faith reliance on such statements, within applicable timeframes described in such statements, will not be subject to criticism or other supervisory action.**



Paycheck Protection Program



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What's Next?

Questions?