

# IMPACT 2023

CORNERSTONE ANNUAL MEETING & COUNCIL FORUM

## **Participation Lending:**

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Leveling the Playing Field



# Participation Lending

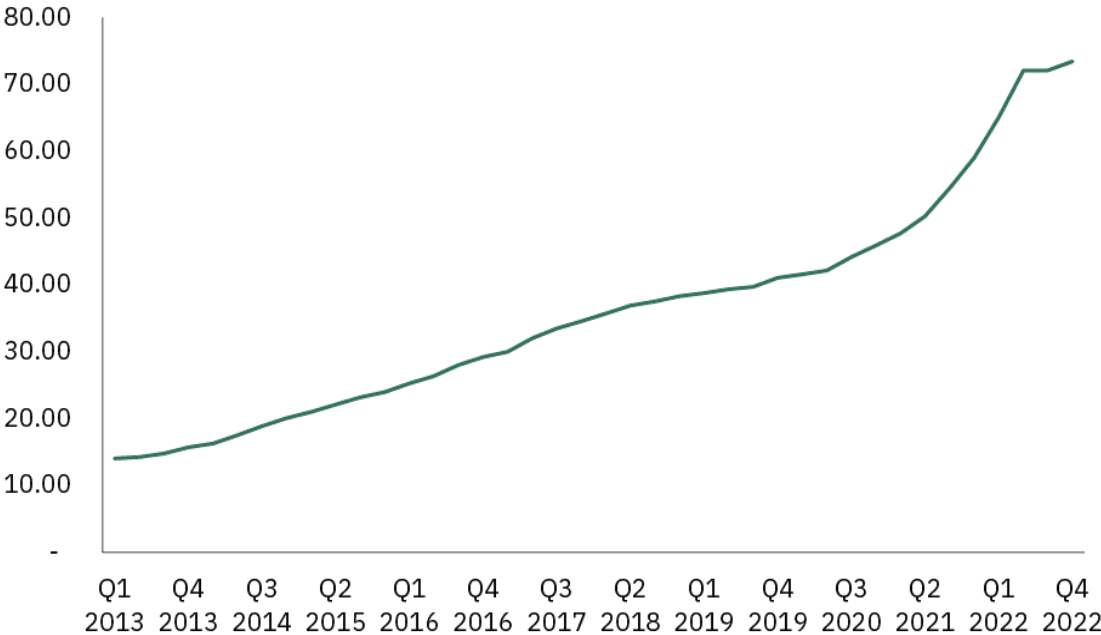
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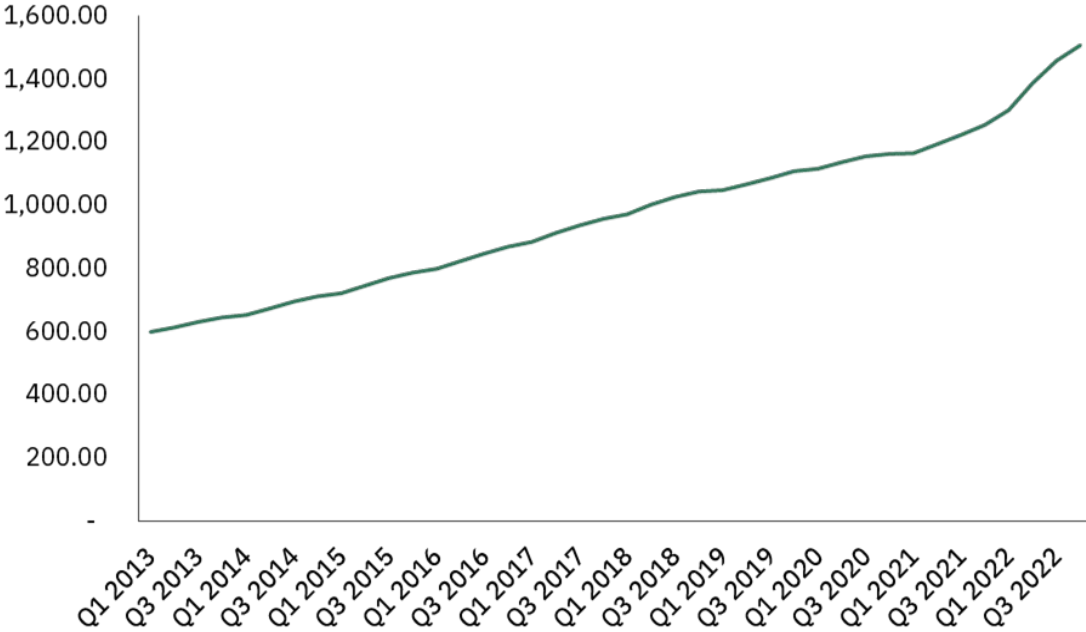
# Loan Participation Growth

In 2012, total loan participation volume sat at about **\$14 billion**. By 2022, it had grown to over **\$73 billion**, roughly a **423%** increase in participation activity.

NCUA Loan Participations Growth  
Values in \$T



NCUA Total Loan Growth  
Values in \$B



Courtesy of Loanstreet Inc.

# Poll Question

Traditional participations: My credit union ...

Skip

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Answers

Has actively bought and sold loan participations

Has not and won't likely participate

Is interested, but has not participated yet

I am more concerend about what's for lunch



# Modernizing the Marketplace

- Evolving participation platforms
- Syndicated loans
- Marketplace lending
- Investing in loan pools

The background features a dark blue color scheme with various financial data visualizations. On the left, there is a bar chart with blue bars of varying heights. Overlaid on this and extending across the top right is a line graph with multiple lines in white and light blue, showing fluctuating trends. In the lower right quadrant, a portion of a data table is visible, with columns labeled 'Change (%)' and 'Volume'. The table contains numerical values such as '+0.35', '1,758', and '82.9'.

# Liquidity Crunch



# Poll Question

Our current capacity for lending is ...

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Answers

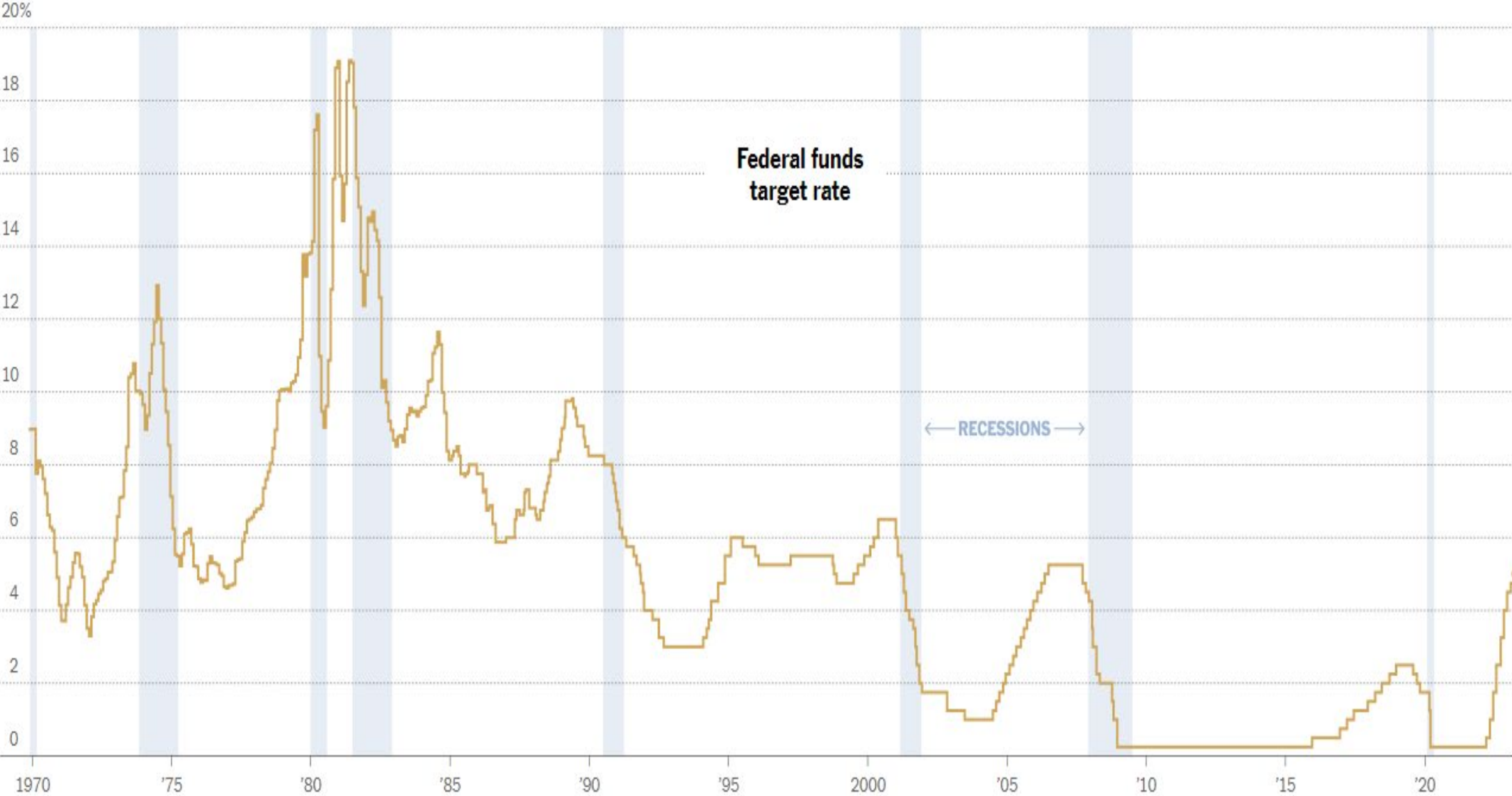
▲ Step on the gas. Let's grow!

◆ Just keeping pace with run-off

● Struggling just to lend to existing members.

■ Yikes.

# How did we get here?

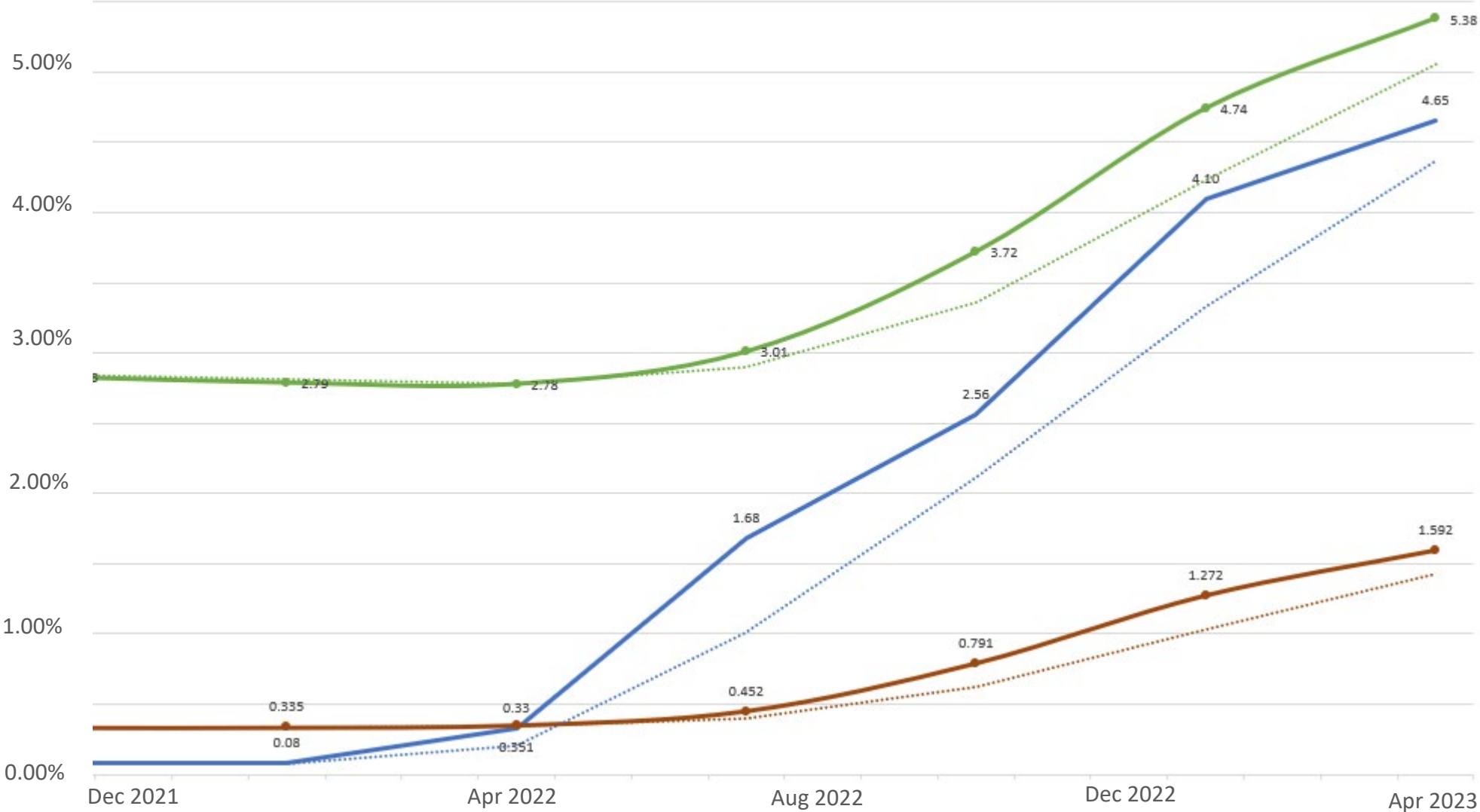


Source: Federal Reserve (Chart courtesy of The New York Times March 22, 2023)





# How did we get here?



Credit Union Rates from NCUA at [ncua.gov](https://www.ncua.gov)  
Federal funds rates from Board of Gov. Federal Reserve System (US) via [fred.stlouisfed.org](https://fred.stlouisfed.org)



# Poll Question

We find the loan participation experience to be ...

Skip

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Answers

▲ **Complicated and clunky**

◆ **Most often simple and seamless**

● **It gets easier if I buy/sell with the same participants**

■ **Do I have dinner reservations yet?**



# How do we get back?

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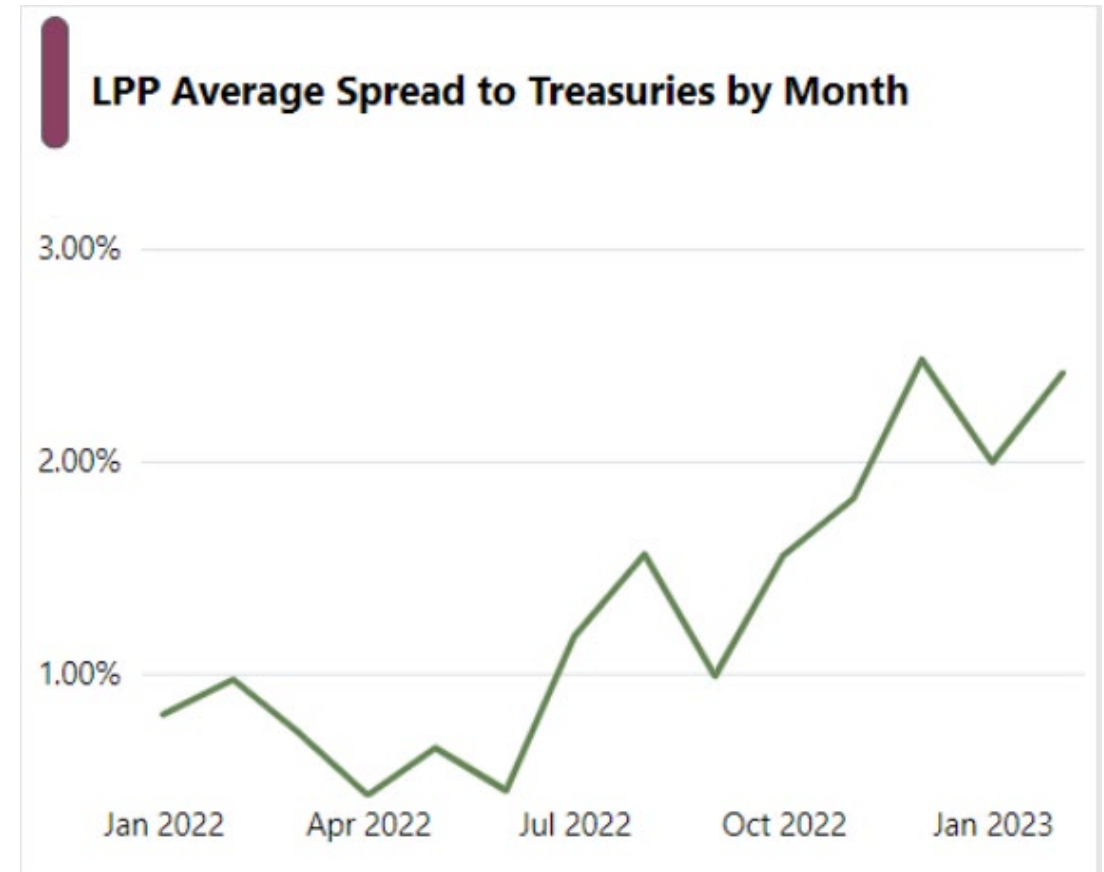
# Modernizing the marketplace



# Modernizing Loan Participations

Alloya is seeing signs of normalization and an increase in smaller credit unions entering market with an average yield 2.50% above the interpolated Treasury – 75% above historical spreads on a similar participation.

CAPITAL MARKETS *monthly*  
Vol 2 March 2023  
Alloya Corporate FCU



# Poll Question

Fintech and other emerging channels ...

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Answers

▲ We actively participate and plan to continue

◆ We have not participated yet, but plan to

● We are not familiar with the opportunities

■ Don't trust 'em. Never have. Never will.

# NCUA clears path for more credit union-fintech lending partnerships

By Ken McCarthy December 15, 2022, 2:45 p.m. EST 2 Min Read



The National Credit Union Administration board voted unanimously to advance a proposed rule that would loosen existing regulations and allow credit unions to participate in or purchase more member loans from fintech companies.

The current regulations only allow a federal credit union to purchase loans made to its members from any source if those loans amount to less than 5% of the purchasing credit union's unimpaired capital and surplus.

Board member Rodney Hood said there are several exceptions to the cap, "but they are cumbersome to understand and impose a high regulatory burden."



NCUA board member Rodney Hood said credit unions are currently losing market share to fintech companies, so partnerships between the two industries are key.

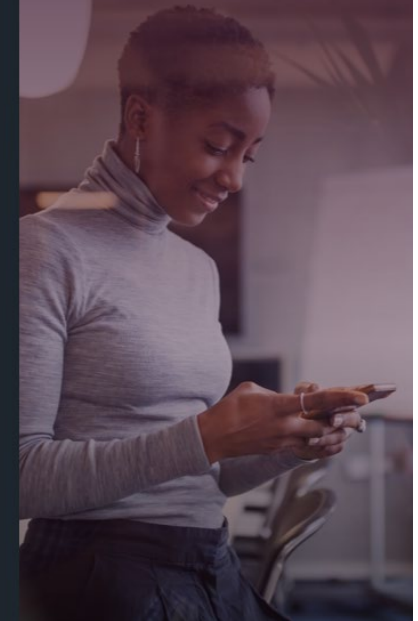
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# Modernizing the Marketplace



## OUR MISSION

is to grow loans for credit unions by connecting them to desired channels, markets, products and members

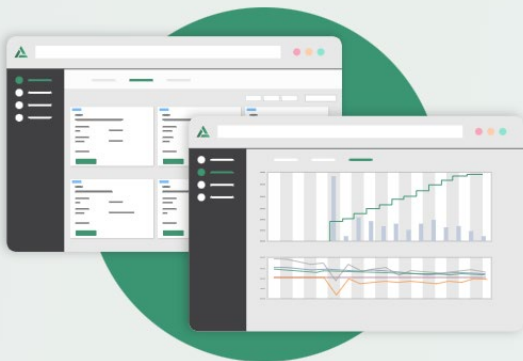


**Quilo**

## Fully digital, real-time loan syndication network.

Welcome to a fully digital, real-time loan syndication network. With Quilo, it's easier to lend a million dollars by fractionally placing the funds across hundreds of loans rather than into a handful - lower credit concentration risk, lower charge-offs and eventually higher, more predictable ROA.

### The new model for loan management



LoanStreet is the primary vehicle for financial institutions to trade, report and analyze their loans through an integrated, online platform. From identifying your first pool of loans on the marketplace to receiving your first monthly consolidated reports, creating a seamless, scalable loan trading workflow has never been easier.

*Brands represented are for illustrative purposes only and are not endorsed by presenter.*







## Strategic Themes for Today

- Consider a variety of short-term liquidity relief options
- Leverage the aggregate liquidity of the collective movement
- Be strategic with your lending strategy
- The time to build is *now*



# THANK YOU!



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