

# Credit Analytics for Main Street Lending

# Today's Panelists



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*Director*



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Cortera  
CEO

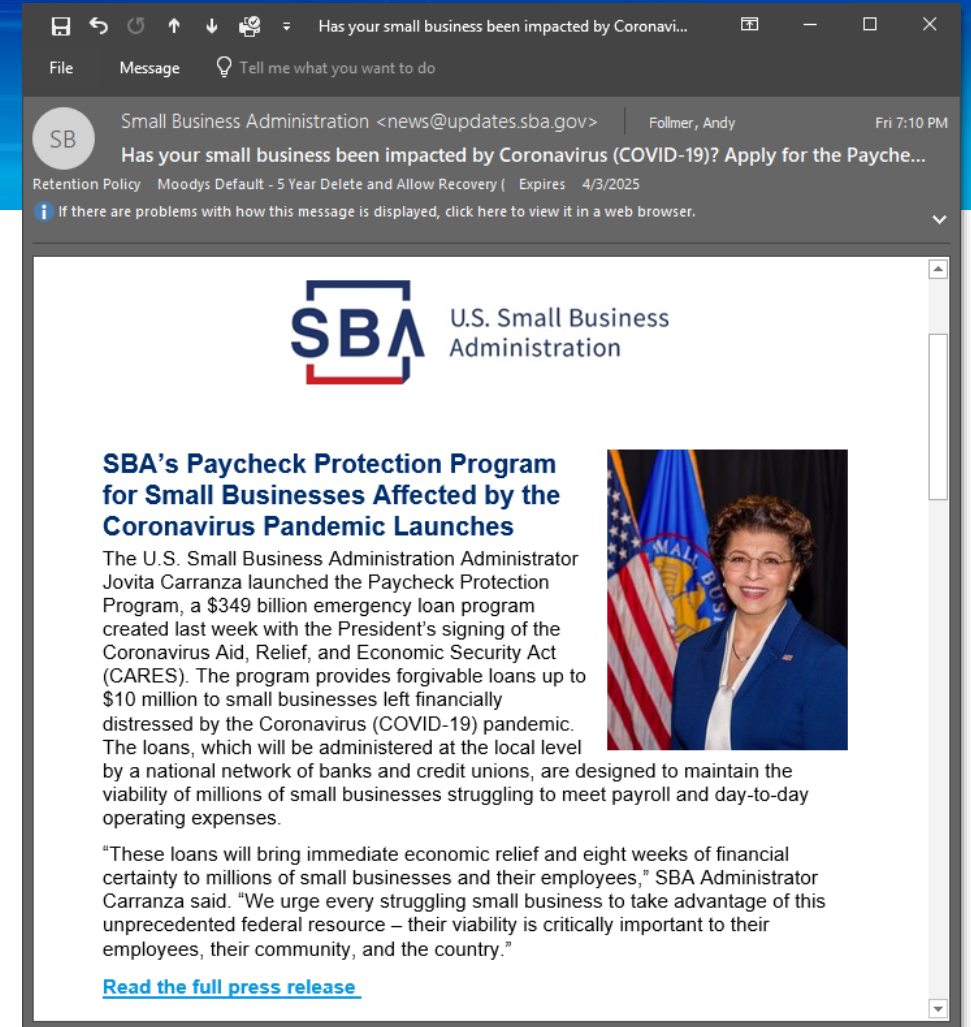


**Janet Zhao**  
Moody's Analytics  
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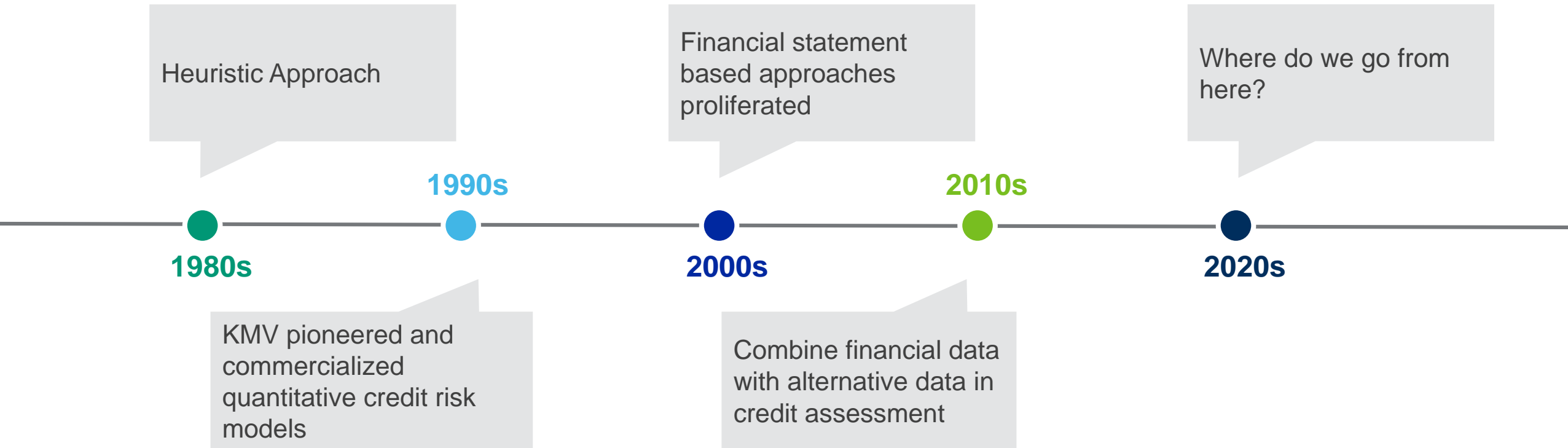
# Main Street Stimulus Recap

## U.S. Small Business Administration (SBA) Program: **Paycheck Protection Program** (PPP or Triple-P)

- » Created through *Coronavirus Aid, Relief, and Economic Security Act* (CARES)
- » \$349 Billion Emergency Loan Program (Round I)
- » \$310 Billion Emergency Loan Program (Round II)
- » Round III – Pending
  
- » Loans made directly through federally insured Banks & Credit Unions, and the Farm Credit System
  
- » Loan proceeds can be used for:
  - Payroll Costs (including tips)
  - Mortgage Interest
  - Utilities
  
- » Loans to be forgiven if employer maintains salary levels

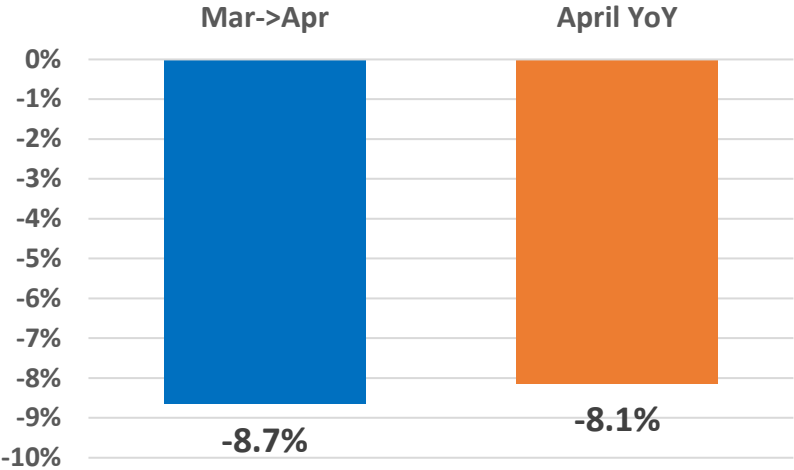


# Evolution of Credit Risk Assessment

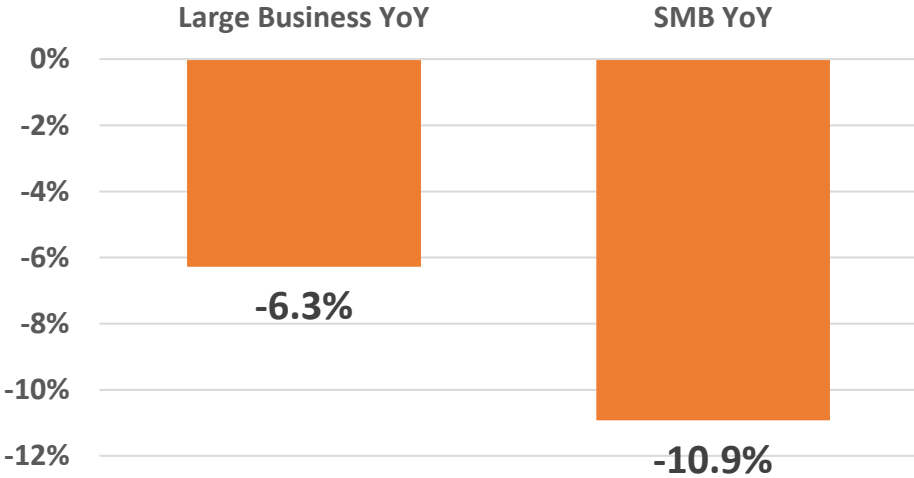


# B2B Spending Dropped Significantly in April

B2B spending declined dramatically in April...



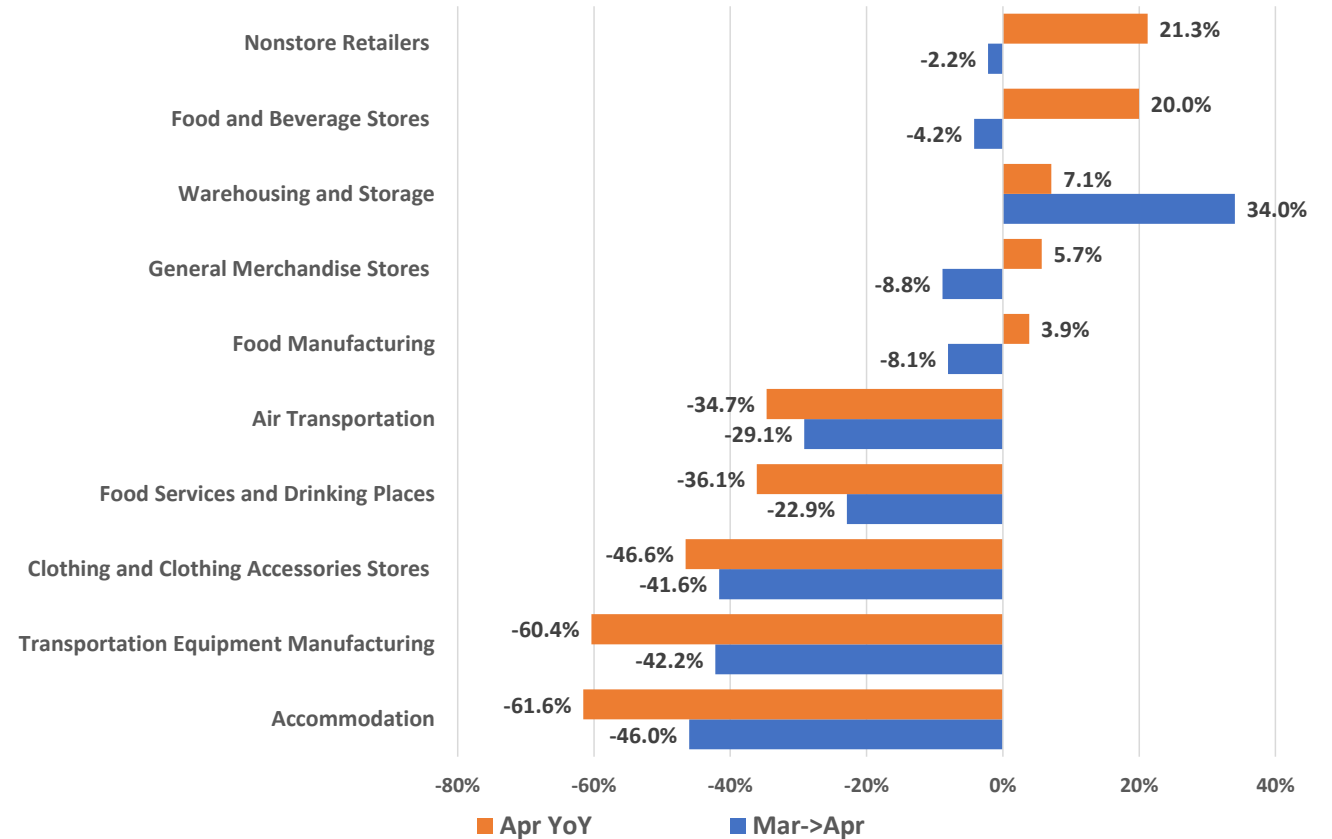
SMBs were impacted more than large companies...



# Industry View – Key Industries

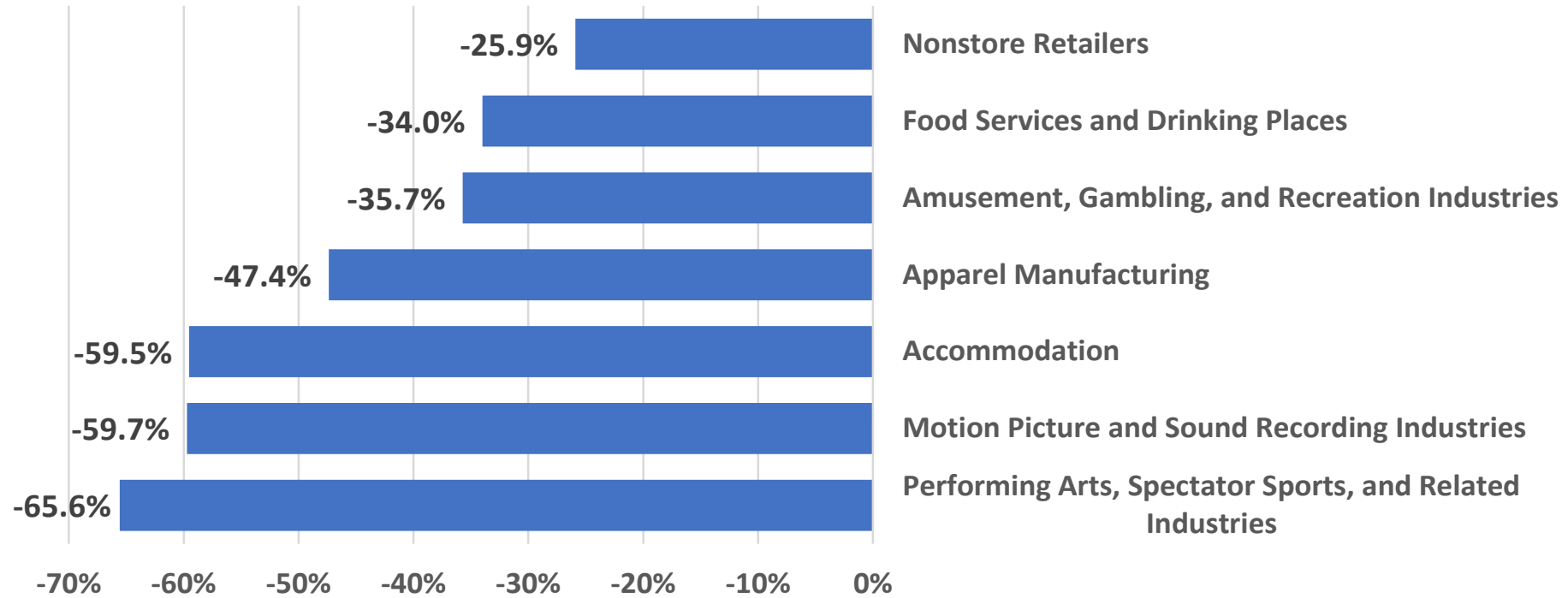
- » We've seen a big shift from restaurants to grocery stores as we eat at home
- » Large brick & mortar and online retailers are spending more YoY
- » Many industries continue to see large declines in spending (hotels, transportation equipment, retail, travel, etc.)
- » Warehousing & Storage increased more than 35% from March to April – primarily in food producing states

Spending Changes in Key Industries  
(March to April and April YoY)



# Industries Where SMBs Are Hardest Hit

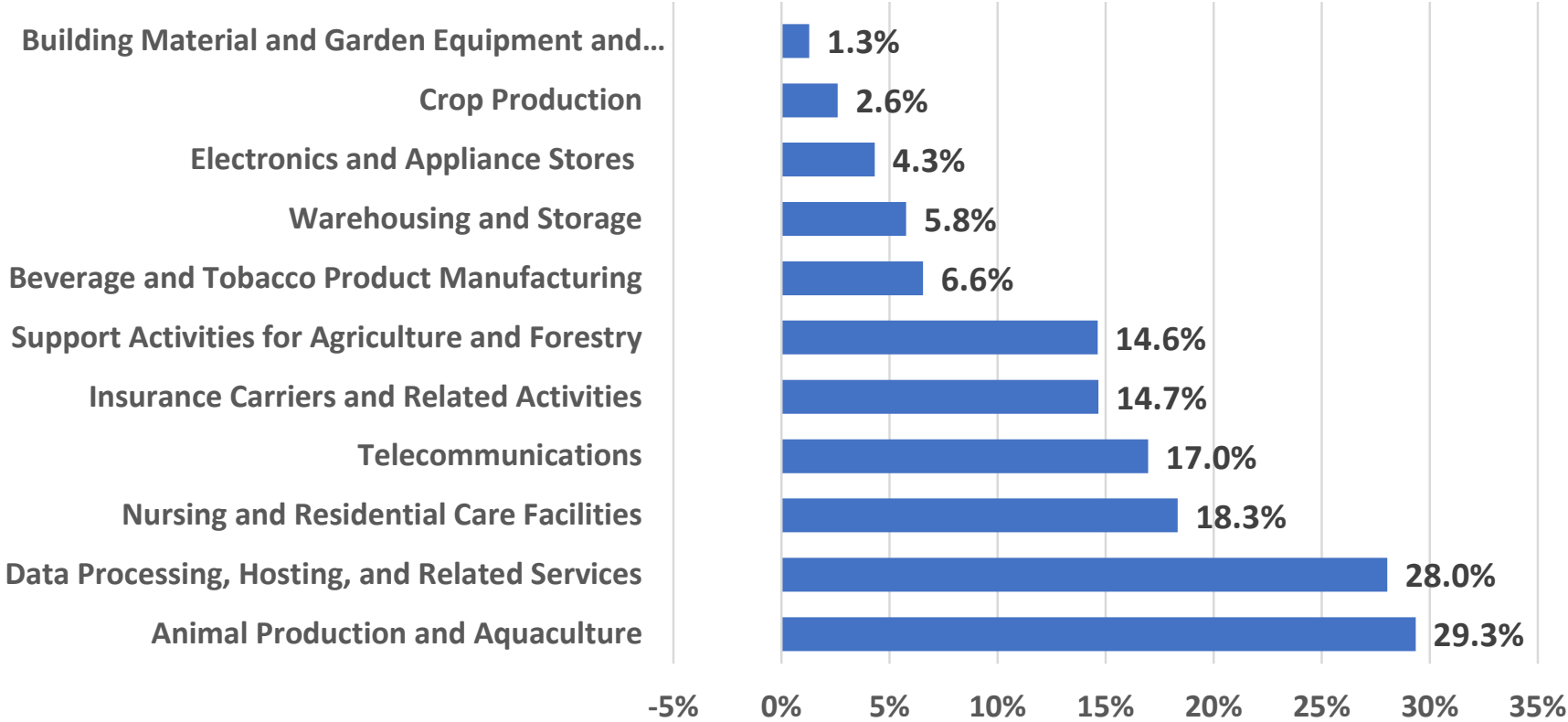
SMB spending was down in 75% of industries in April – some of biggest declines...



*April 2020 vs. April 2019*

# SMBs Appear Strongest in the Stay at Home Economy

SMB spending increases are mostly in the Stay at Home Economy industries (food production and technology)...

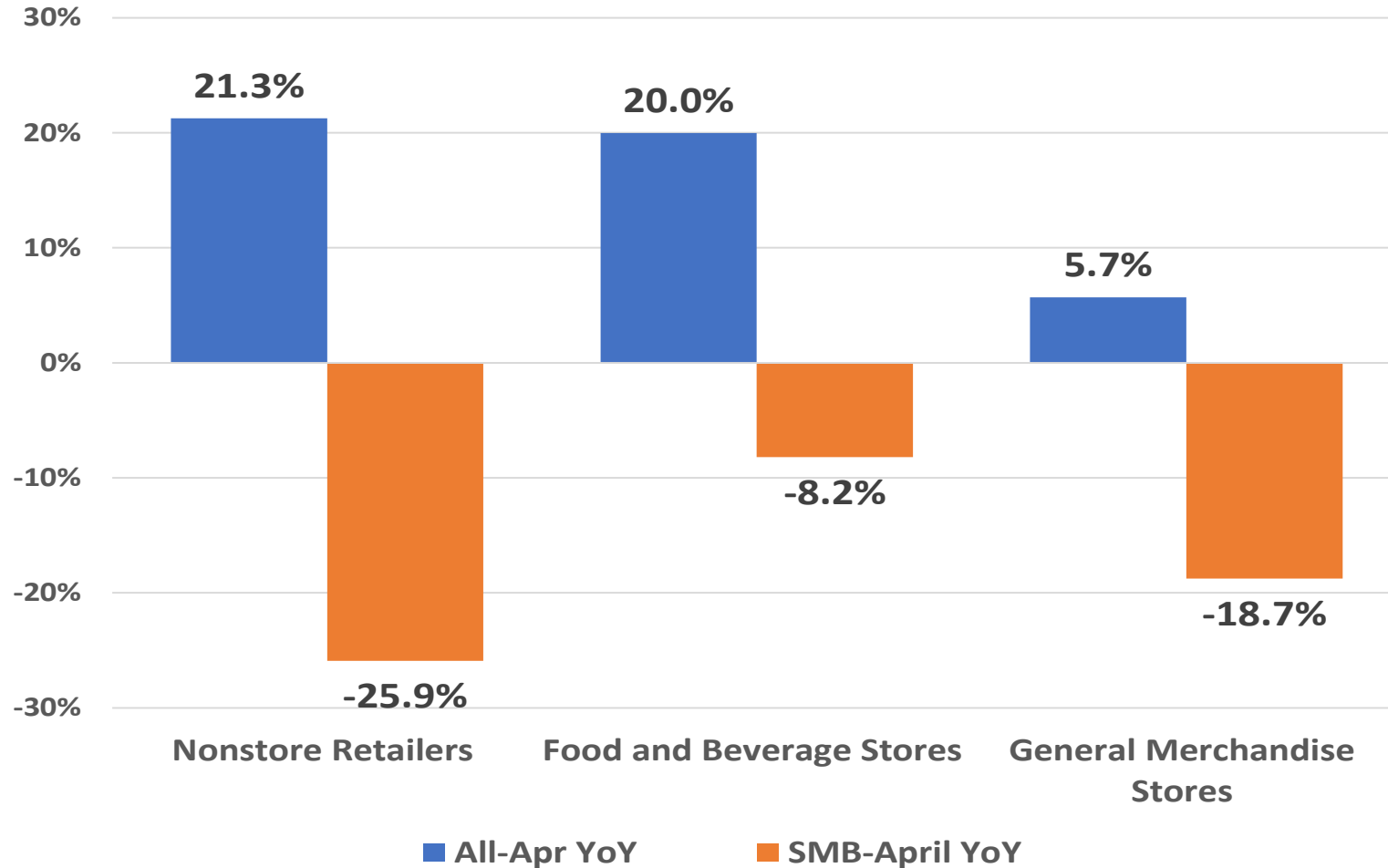


*April 2020 vs. April 2019*



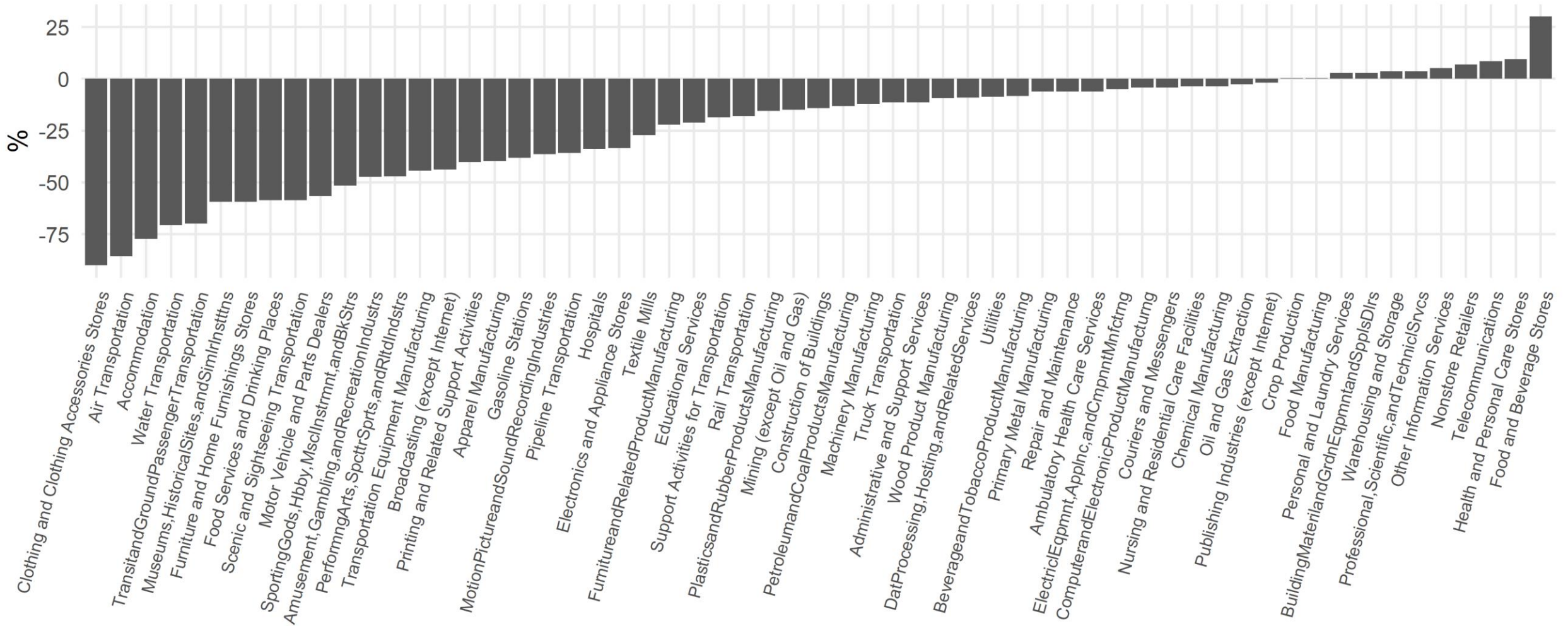
# It's Not Always a Fair Fight

Large companies have a big advantage in some industries...



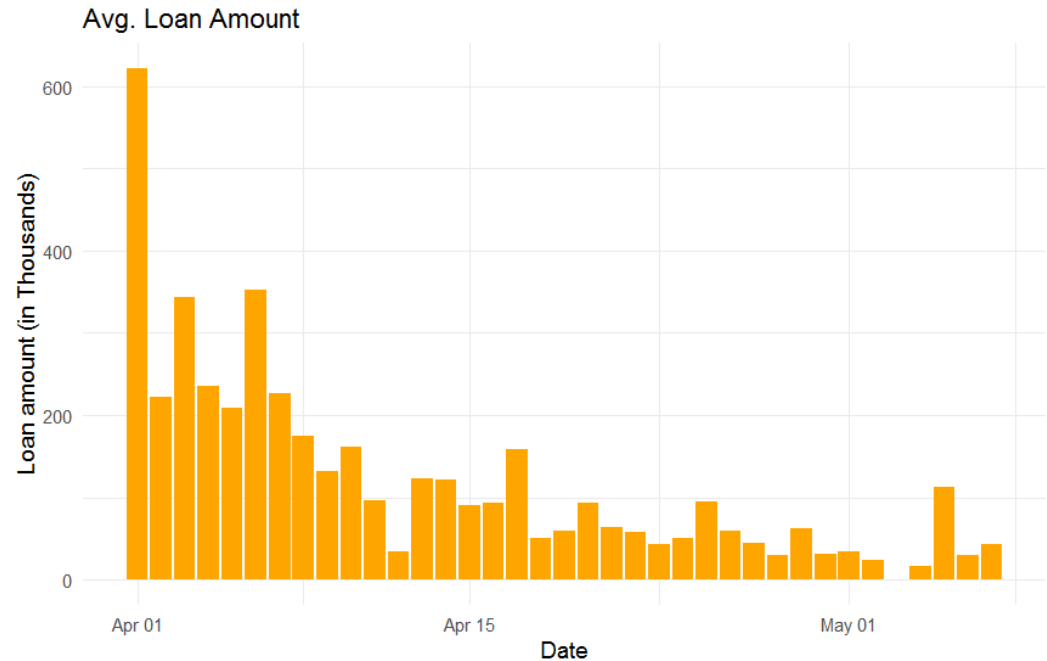
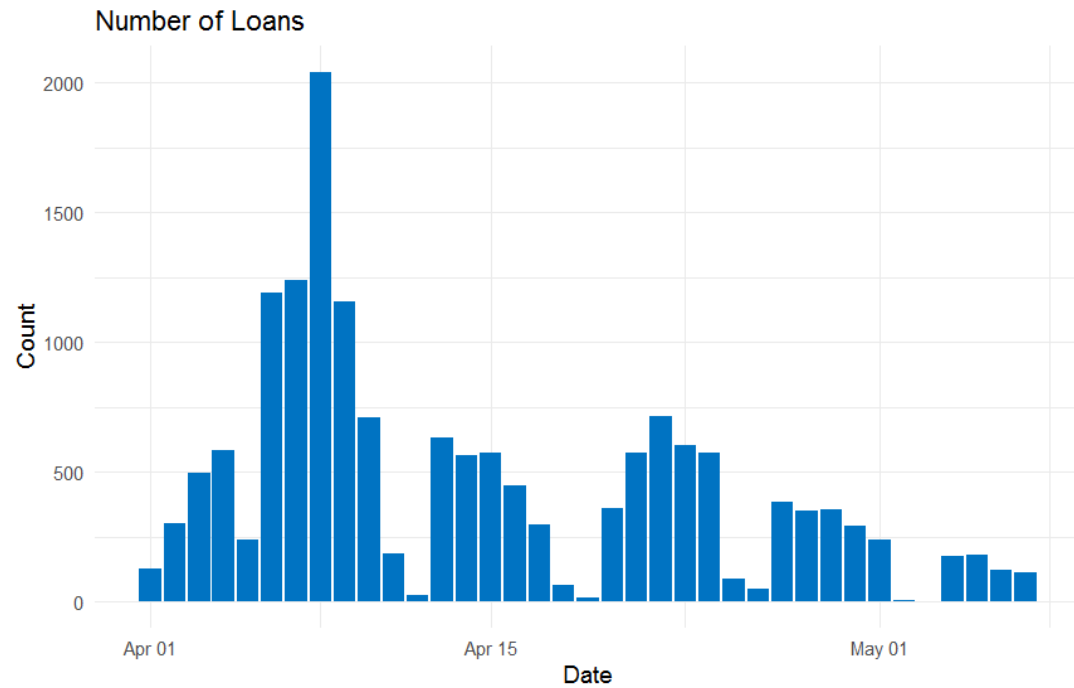
# Estimated Change in Sales During Lockdown

With Data from Census Bureau, Federal Reserve, Bureau of Labour Statistics, Cortera



# What Do We Learn From 20K PPP Loans

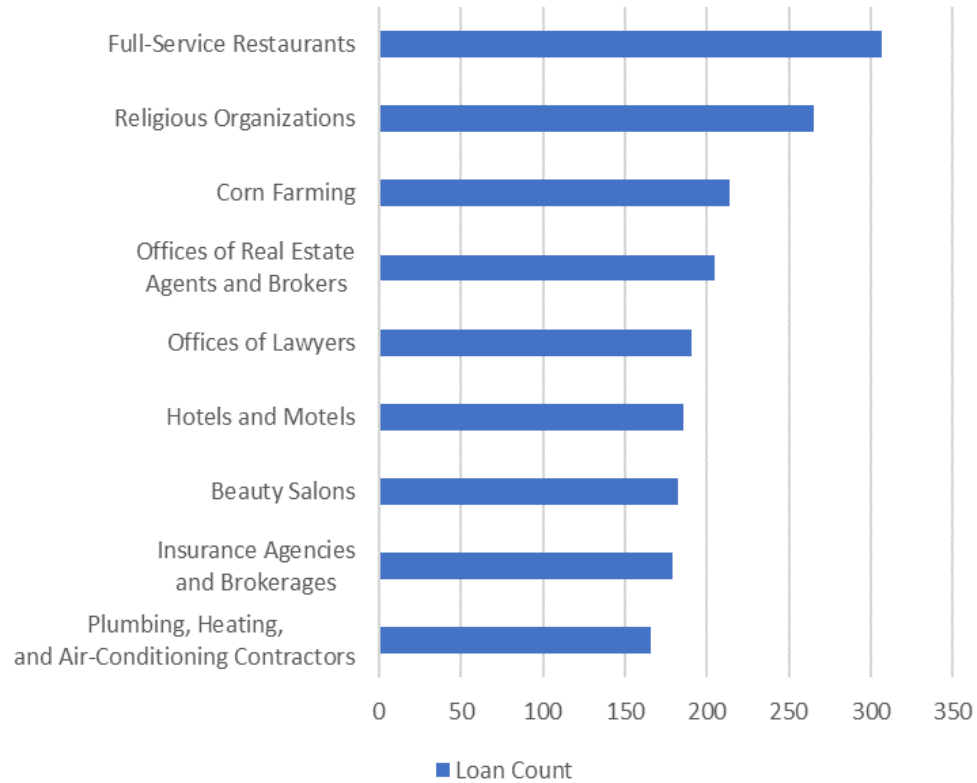
## Midwest Region



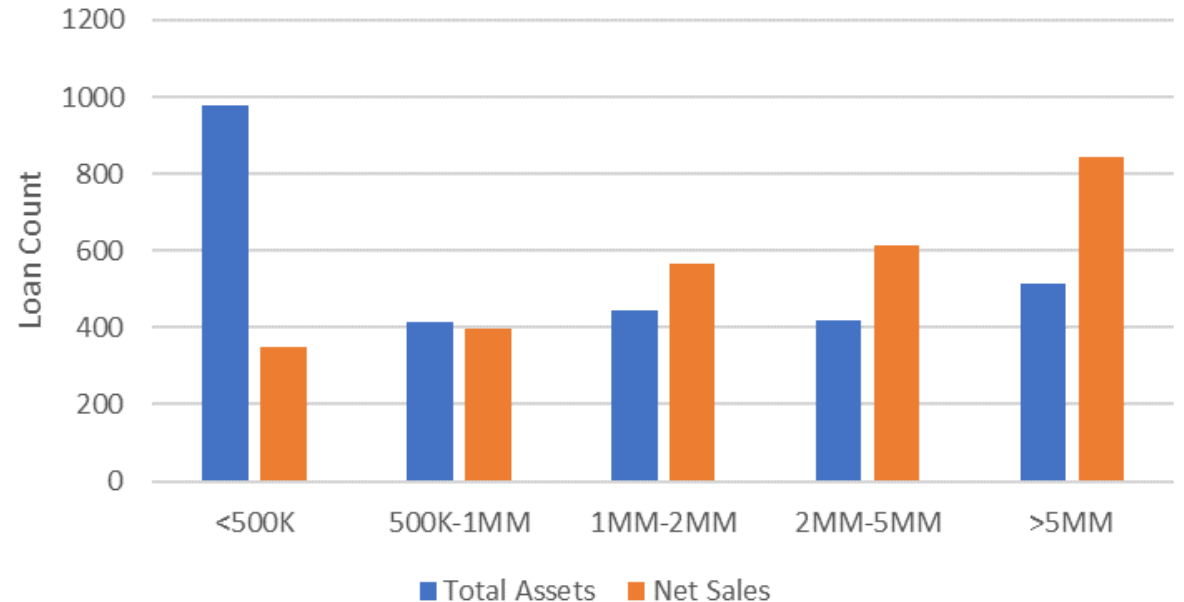
# What Do We Learn From 20K PPP Loans

## Midwest Region

TOP NAICS CODES By LOAN COUNTS



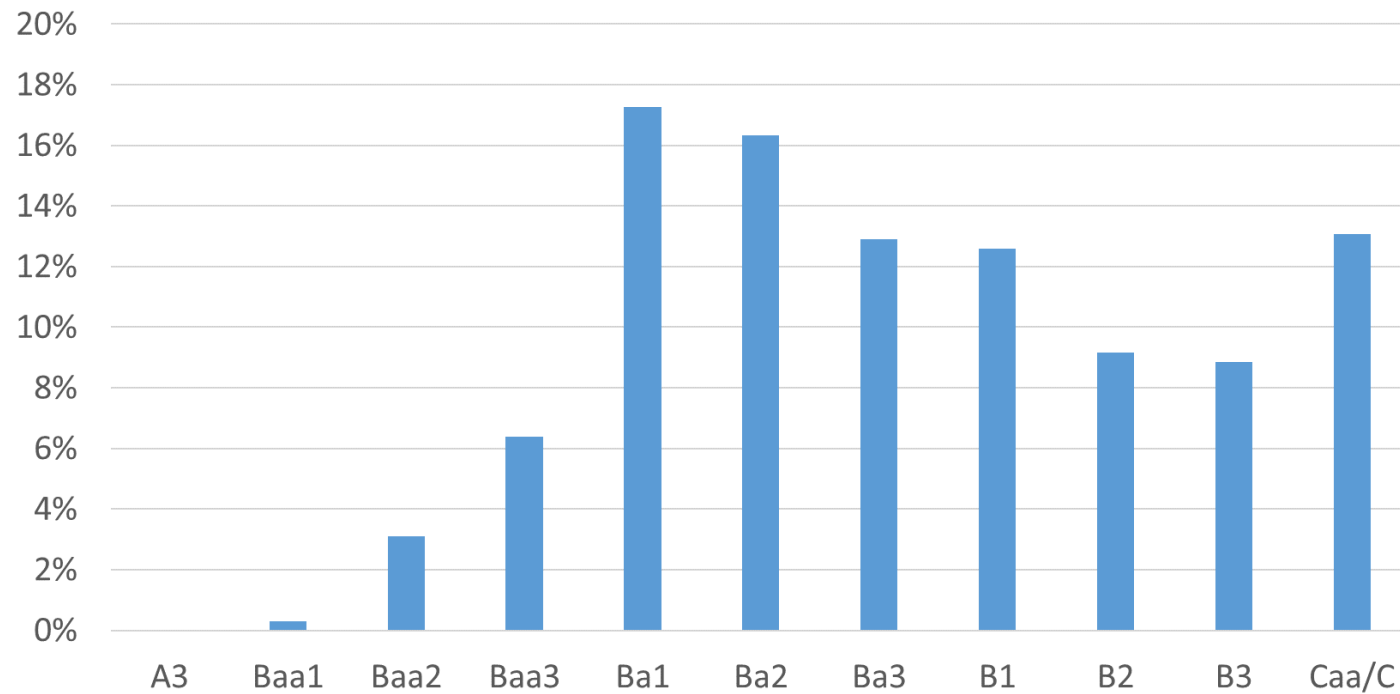
LOAN COUNT BY FIRM SIZE



# Credit Profile of the PPP Loan Borrowers

## Midwest Region

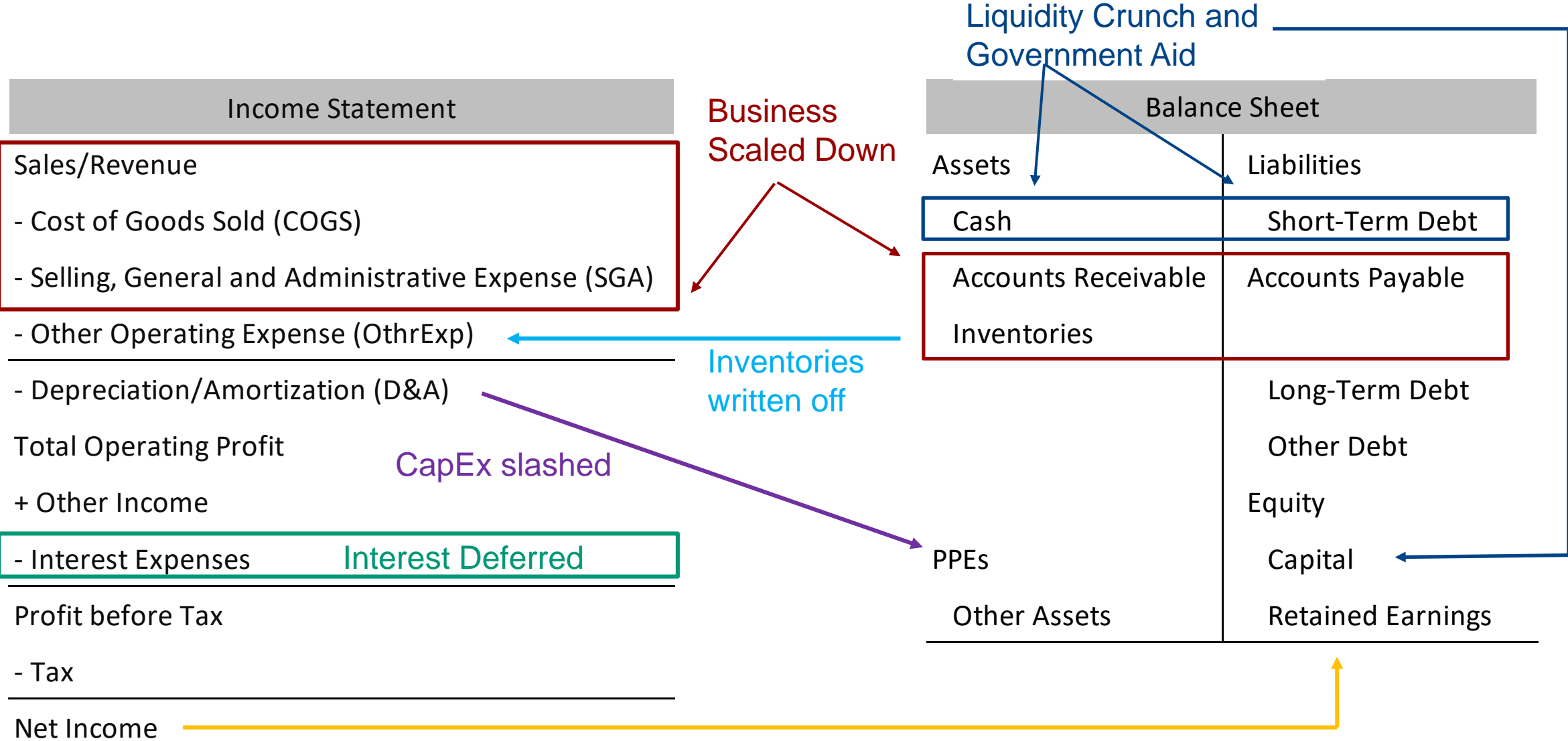
PPP Firms Risk Ratings Based on Market, Financial and Trade Data



### Key Risk Drivers:

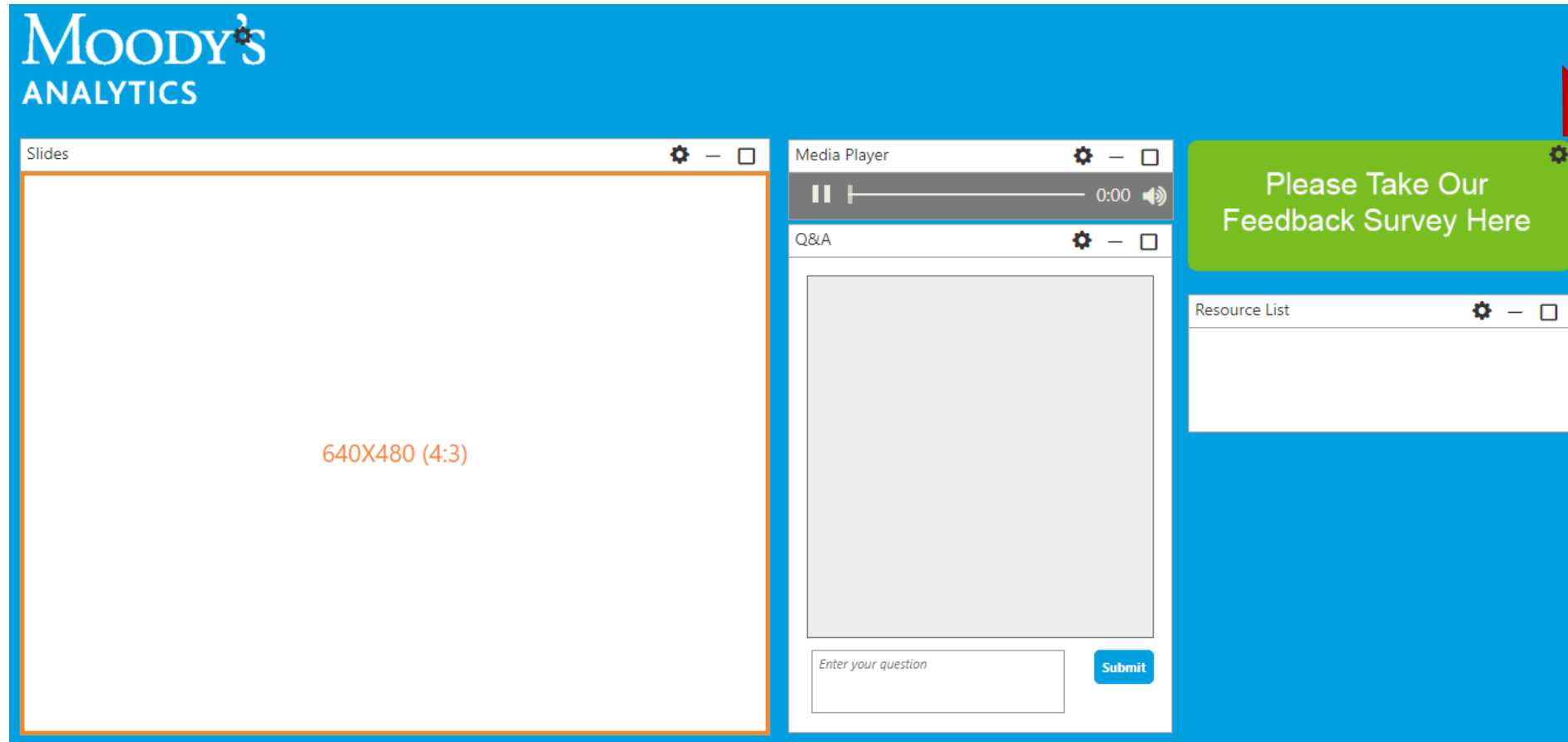
- *Market Impact*
- *Past due on trade lines*
- *Trade line utilization*
- *Age of the firm*
- ❖ *Financials - relatively stale*

# Create Pro Forma Financial Statements



# Survey

Your feedback is important to us!



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Q&A



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