Michael Wear

President, 39 Acres Corporation

The First 'R' of Triage Outcomes: Rehabilitate When Your Borrower Is Expected to Recover

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Host Linda Keith CPA

Commercial Lending Alternative Financing

- In downward economic cycles, the need for alternative financing rises...along with the economic headwinds...or Tsunami
- Better to catch early for more solutions, before the credit hits the Past-due or Overdraft Report (too late by then, as damage is often greater than expected...and as bankers don't get consistent periodic financials until the credit is on the WatchList)
- Alternative financing goals:
  - Increase cash flow, WHILE
  - Decreasing risk to the Institution
- Alternative financing loan types:
  - Using government loan guaranties [SBA, USDA]
    - A bit of a bad reputation due to:
      - Approval process and lots of forms
      - Reduced or rejected government guaranty upon a claim
    - Ways to avoid issues with government guaranties [I have free SBA Checklists to help]
    - Real-life Examples:
      - Restructuring LT Debt when collateral coverage is short
      - Amortizing stale ST Debt (and perhaps "reloading" the line)
      - USDA take-out ['stinky' collateral: water & sewage treatment plant!]

    - Take some risk off the table for landing new clients in tough economic times
        - Where there is adversity, there is opportunity
        - Real-life example using lower guaranty level (and cost), SBA 504 to land a CRE loan without 'banking' the borrower
- Asset-based Lending [ABL]
    - Weak or volatile primary source of repayment with widely-used collateral
    - Expertise in determining Net Exposure after liquidation costs of collateral
    - Watching demand trends and collateral inspections are key (charge fees)
    - Real-life Examples: auto dealer floorplans, trucking/equipment dealer floorplans
- Factoring Accounts Receivable
    - Advantages over borrowing bases
    - Typical structure and control
    - Real-life Examples: start-up staffing companies (3), construction contractor (workout)

Equipment Leasing was popular in the past, but liability insurance cost and adverse selection of lessees caused many community banks to get out.

About Michael Wear

Mike Wear is owner of 39 Acres Corporation, specializing in banker training and bank consulting services in credit risk underwriting and loan portfolio risk management. *Less lecture—real business cases—more hands-on practice and more fun!*

Over his 41-year banking career, he previously served in commercial lending and senior credit management positions with Omaha-area community banks. Mike retired as a Senior Analyst in the Credit Risk Administration department of First National Bank of Omaha, a $23-billion community bank, specializing in underwriting larger ($10-100M) commercial real estate loans throughout the country. In addition, he developed curriculum and conducted multi-tier training programs in credit analytics on an enterprise-wide basis.

He is the Loan Portfolio Management Section Leader and serves as a member of the faculty at the Graduate School of Banking at the University of Wisconsin in Madison, as well as GSB's Sales & Marketing School and IT Management School. He is a former adjunct professor for the University of Nebraska-Omaha. He has authored articles for banking publications and has served as a textbook editor/reviewer for the American Bankers Association.

Mike is now expanding his advanced commercial and CRE lending workshops and teaches for several State Banking Associations. Bank consulting offerings include customized credit analytics, effective prospecting, and loan portfolio risk management strategies and tools to identify risk in the Pass-rated portfolio.

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