



# LP Q4 . 2021 QUARTERLY

Alloya's Quarterly  
Loan Participation Newsletter

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VOL 2



## ALLOYA'S STRATEGIC GOALS

At Alloya, every decision is grounded in our mission to support credit union success and our dedication to three strategic goals: **People, Member Service, and Financial Performance and Compliance**. Alloya's quarterly loan participation newsletter is no exception. In every edition of the *LP Quarterly*, you will notice those three strategic goals underpin the content. *Continued on page 2*



## People

We have some exciting news on the People front! We truly believe it's the people that drive the corporate, just like the people who drive your credit union. Additionally, we're launching an exciting initiative to educate credit unions on loan participations and how best to utilize them.

## Member Service

We're spotlighting a credit union who uses our Loan Participation Platform to offload loans from their books so they can continue serving their members. They recently started selling loan participations and are thrilled to be partnering with credit unions throughout the country to achieve their respective goals through collaboration.

## Financial Performance & Compliance

In keeping with all of Alloya's products and services, all editions of the *LP Quarterly* contain tips and best practices to help advance your credit union's bottom line and ensure you remain compliant with applicable regulations.

We hope you enjoy the second edition of our quarterly newsletter and subscribe at [www.alloyacorp.org/subscriptions](http://www.alloyacorp.org/subscriptions) to receive future issues to your inbox!

## 2022 Sneak Peeks



### New Team Member

People are our strength. To further strengthen our team of loan participation experts, Alloya is hiring another one! You will meet her in the next edition of the *LP Quarterly*. In the meantime, member service remains our top priority, and we will continue to provide that service through the technology of the Loan Participation Platform and our dedicated team of credit union people.



### Education Program

Also coming in 2022, we're launching a new education program that will expand your knowledge of loan participations while minimizing a common barrier to entry. Whether you're new to loan participations or a seasoned professional, the program will up your insights about the intricacies of purchasing, reviewing, underwriting and accounting for loan participations. Stay tuned for more information in the early part of next year.

People

Member Service

Financial Performance  
& Compliance

## SPOTLIGHTING RIVERVIEW CREDIT UNION

### ACHIEVING STRATEGIC GOALS THROUGH PARTNERSHIP

Earlier this year, Riverview Credit Union (\$97.7MM assets) of Belpre, Ohio partnered with Alloya to sell loan participations. Riverview has achieved tremendous success and surpassed its strategic goals with the help of Alloya and the Loan Participation Platform. Bill Paton, vice president of Loan Participations & Lending at Alloya, sat down for a candid conversation with Riverview's CEO, Doug Ankrom. Read the interview to hear Riverview's take.

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**Bill Paton, VP of Loan Participations & Lending:** Tell us a bit about your experience thus far. How is everything going?

**Doug Ankrom, CEO of Riverview CU:** It's going better than I could have imagined! We've completed seven sales and will be finalizing our eighth tomorrow. It's remarkable in every sense of the word.

**BP:** Why did Riverview decide to start selling loan participations?

**DA:** We launched a new lending program in our market, but Riverview is not a huge credit union, so we are limited in the amount of loans we can originate for our members. We were thrilled to see such strong demand, but we found ourselves in a bind – having to either slow our program or deny loans to deserving members. What credit union wants to do that? Our goal is to offer a loan to any creditworthy member and consistently serve them with nothing less than our best. That's when we realized that we had a third alternative: loan participations. By selling loans, we can keep up with loan demand, satisfy our members and maintain those trusting relationships.

**BP:** So, it sounds like the decision to start selling was a no-brainer. But why Alloya? What prompted you to partner with us?

**DA:** We considered a couple potential vendors, but choosing Alloya boiled down to three factors. First and foremost, your technology is the best out there. We knew right away that your Loan Participation Platform would deliver a great experience for us and the buyers. Some vendors were good at X while others were good at Y, but the Loan Participation Platform made it clear that Alloya truly understands the needs of credit unions. Second, we know how important corporates are to credit unions and Riverview has maintained strong relationships with corporates for decades. Last but not least, it's the people. Yes, Alloya has great technology, and, yes, corporates provide great services for credit unions, but when we met with the Alloya team,

we felt instantly comfortable. It was apparent that Riverview's best interest was, and always would be, at heart.

**BP:** How has Riverview been able to achieve its strategic goals by partnering with Alloya's Loan Participation Program?

**DA:** Most significantly, we have been able to continue growing Riverview's lending programs. Your support and service really enable us to do what we do best and that is serving our members. Financially, we've been able to scale our program at no additional cost because we did not need to hire another employee to manage the selling and reporting aspects of loan participations. Eight sales in three months for a credit union of our size is

the proof that this process works well. On top of that, we've been able to make some premium income on our loans, but not as much as we probably could if we really pushed the market. We wanted to keep our premiums low to provide better value to investors while at the same time keeping the lending program operating here at

Riverview. Financial gain is not our main concern with selling loan participations.

**BP:** What advice would you give to a credit union who's thinking of investing in your loan participation offerings?

**DA:** Our loans are a good representation of our geographic locale. We are serving our membership, which is what we were meant to do. We have a long history of knowing our members. And of course, take a good look at our loans when they hit the market because we'd love additional partners.

**BP:** Once again, thank you for your continued partnership, not only with Alloya, but with credit unions nationwide. You've been able to help numerous credit unions resolve a balance sheet need and we are truly thankful for that.

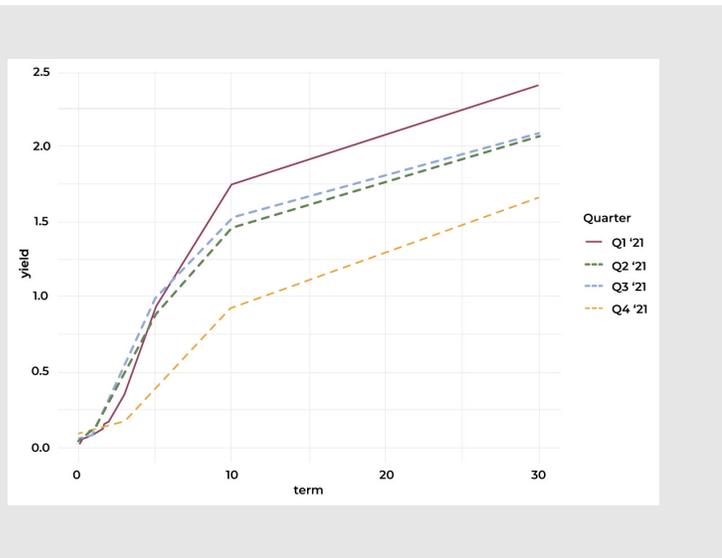
**DA:** We appreciate Alloya as a partner and couldn't be serving our membership without you and other credit unions supporting us on this incredible endeavor.

**Financial Highlights & Ratios  
of Riverview CU (as of 6/30/21)**

- Assets – \$97,729,982
- Loan/Share – 102%
- Loan Growth – 74%

Too often the loan participation marketplace data is obscured by brokers who are looking to extract as much value as possible from credit unions for their own personal gain. At Alloya, we are accountable to credit unions. That’s why we are delivering transparent market data and insight to help our members make better-informed loan participation purchase and sale decisions.

**Rates and Spreads:** Changes in market rates began to stabilize between the second and third quarters. The Treasury yield curve saw a modest decline over the period but is still materially higher than the beginning of 2020. Spreads for loan participations have followed a similar trajectory. During the first quarter of 2021, spreads continued to tighten as the market was largely dictated by sellers. During the third quarter, this trend began to stabilize, and we have seen spreads hold steady to modestly increase.



**Loss and Prepays:** Prepayment activity has also started to moderate on many loan pools. With the significant decline in overall market rates, refinance activity was materially higher in early 2021 compared to historical averages. This trend has also started to moderate over the past several months. Losses continue to be very low across participations on the Loan Participation Platform.

**Volume:** Alloya has seen steady growth in monthly loan participation origination volume during the second and third quarters. We believe this is driven by two factors. First, we continue to work with originating institutions and are bringing on several new sellers per month. Second, the market is beginning to shift. The loan-to-share ratios of credit unions

are stabilizing, and we are hearing anecdotally that originations are beginning to pick up. We expect this to provide more inventory in the coming quarters and more opportunities for buyers and sellers to utilize the Loan Participation Platform.

**Special note to potential selling credit unions –** With the influx of deposits over the past couple of years, you may think there’s no real need to sell loans. But we encourage you to consider otherwise! You’d be fulfilling an enormous need in the marketplace and helping credit unions nationwide. In addition, selling loan participations is a potential source of fee income for your credit union. While Alloya makes trades fair and equitable, that does not mean the sale is unprofitable for sellers. The market dictates the price on pools, and right now, the market is favoring higher premiums on pools, thus more fee income to your bottom line. Lastly, selling a loan is a great option for circumventing capital constraints and potential liquidity issues. More and more credit unions have told us that their examiners are imploring them to “test the process” and sell a pool of loans. We think this is a strong approach to your liquidity plan and we agree with the examiners’ recommendation. While it may sound cliché, loan participations are a true win-win for both buyers and sellers, and we ask that you consider helping everyone win with the sale of a pool.

We are 1,400 credit unions working together, illustrating the power of cooperation. Thanks to your partnership and trust in Alloya, we are collectively celebrating 10 years of credit union success!

**celebrating (y)our success.**



To close out every *LP Quarterly*, the Loan Participation team will share “one thing” they consider to be most important in the current state of the market.

#### **BILL'S ONE THING**

Follow the Golden Rule. Loan participations, at their core, are really credit unions helping credit unions. If you're looking at a deal but don't have any interest in purchasing it, it's good to be mindful that you could be taking away opportunities from others who may be interested. There's no harm in withdrawing from a deal, but if you're going to do so, do your best to ensure it's not a last-minute thing. Your withdrawal may mean other credit unions lose out.

#### **RYAN'S ONE THING**

Have a wish list. If you are in the market for purchasing loans, knowing what you want and, perhaps more importantly, what you don't want will allow you to act quickly. Loan pools do not stay on the market for long and a good understanding of your needs allows you to quickly capitalize on opportunities.

#### **BRIAN'S ONE THING**

For the first time since COVID began, the loan participation market is showing subtle signs of stabilizing. Demand from buyers continues to be extremely high, but each week I am hearing from new credit unions that are interested in selling loans. The influx of new sellers is leading to increased inventory and more participation opportunities for our members. Please remember to submit your pool requests through the platform, as this is the only way we know what loan types you are looking for. I will reach out to you directly when a pool becomes available that matches your request.

## **Subscribe to Receive Next Quarter's Issue**

We hope you enjoyed the second edition of the *LP Quarterly* and will consider reading again when we release another edition in Q1 2022. And remember, sharing is caring. Consider inviting a colleague to read the *LP Quarterly* and encourage them to subscribe so they receive the next issue straight to their inbox. Visit [www.alloyacorp.org/subscriptions](http://www.alloyacorp.org/subscriptions) to sign up.

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