



**Weekly Post: Know Your Peers, Competition and Partners**

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Dear Clients-

Peer analysis is essential to managing your institution and is key to measuring your firm's performance and developing your ALM strategy. This week's post focuses on the importance of managing the loan portfolio based on the ALM performance of the competitors in your area. Comparing your risk exposure to a well defined peer group in your region is more relevant than using standard regulatory groupings. Identifying banks similar to your bank size and business model using another peer group for that purpose can assist you in determining the drivers of profitability.

More importantly, institutions in your region can also partner with you in meeting your customers' inquiries for loans.

- You may not want to put a 5-5 ARM loan on your book, but, you can sell to a bank nearby, but, not close enough to be your competitor.
- You may seek a partner to meet the borrower's request by participation.

Working with other banks in your region enables you to keep your customers. This Post explains *Peer Group Compare/Select which is an application in Risk Officer* that enables to you efficiently seek these partners.

**Challenges**

- How can I find qualified partners in my region to meet customers' requests?
- What is the best way to communicate with these potential partners?

**Solution**

*Selecting Potential Partners: use Peer Group Compare/Select*

You can select banks/CU by Charter Type, District, Range of Size, Distance from your bank, and by States. Further, the list of candidates will be ranked by the THC Similarity Index (SM), which will provide you with a list of banks that are most similar to your bank. The selection criteria are presented below

Charter Type:  District:  Asset Size:  Distance(mile):  [10 banks](#)

ABANumber	Name	Asset(\$000)	District	Distance(...)	State	City	Loan/Ass...	Loan/Dep...	ROE(%)	SM
<input type="checkbox"/> 211370707	Fidelity Co...	787,717	1	0.00	Massac...	Fitchburg	78.43	92.64	4.72	0.64
<input type="checkbox"/> 211370736	Rollstone B...	595,316	1	0.00	Massac...	Fitchburg	73.40	117.08	6.15	0.67

You can also evaluate over 15 financial measures of each of these banks, along with THC proprietary research, enabling you to determine their drivers of earnings and the local loan demands. For example, a bank within a 100 mile radius may have a loan to deposit ratio of over 100%. In this case, that bank may

**Market Wisdom - Art Hilliard\***

Participation means getting along together

Why would banks and credit unions want to Participate loans out?

- As stated below, High loan to deposit ratio
- Loan size too large for one bank
- Credit union doesn't offer a loan product that their client wants
- Not enough liquidity or capital
- High concentration in single loan product

Why would credit unions and banks want to buy participations?

- Loan to deposit ratio too low
- Access to more diversified loans like motorcycles for example
- Low loan demand
- Low origination capacity
- Improve asset quality
- Low operational risk
- Improve earnings

Using TFO, banks and credit unions have total flexibility in loan products and partner selection when it comes to participations.

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have loan productions, but not the capacity to keep more loans on the books. You can seek to buy loans from the bank, which probably isn't your competitor because the location is not close enough to you. THC ALM indepth analysis of these candidates and the ease of evaluating the results enables you to seek potential partners efficiently.

**Numerical Example**

After identifying the potential partners, ranked by the THC Similarly Measure, the THC network enables you to contact these banks anonymously. THC Transactional Network allows to you to publicize your inquiry directly to these potential partners. You can provide as much information on the loan inquires as you desire. The basic indicative information would include the transaction type, loan type, transaction size, credit risk tolerance and geographic location. You can also attach any additional information to the network for solicitation.

THC Transactional Network will assist you in seeking the partners by contacting the parties allowing you to inquire anonymously.

Seeking participation partners is a standard banking process. Indeed, this banking practice is often referred to as “traditional banking.” THC technologies and our network can facilitate this process, enabling institutions like you to work together more efficiently with other institutions. This participation process will help you level the playing field, keep your customers, sell loans at the highest bids or buy loans at the lowest ask.

THC technologies enable you to know your competition better, effectively seek your participation partners, gain insight into theloan market conditions and use an *institutional specific* peer group for comparison, instead of the regulatory FFIEC groupings.

**Conclusion:**

THC Peer Group Compare/Select App has many applications. Additionally, you have the option of selecting multiple groups peer groups for different purposes. You can compare your performance dashboard with nearby banks, gain insights into the drivers of earnings of your competitors, or seek partners in meeting customers’ inquiries, using THC ALM analytics filters.

*If you have any questions regarding using Peer Group Compare/Select App, please do not hesitate to contact THC.*

Regards,  
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*THC is NOT a broker-dealer. THC only offers an analytical platform for clients to work together to meet your customers’ needs or your balance sheet requirements. THC does not collect any commission.*



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