

SOLUTION BRIEF

Hard-Hit Industries Need Short- and Long-Term Capital

How Can You Meet the Demand?



The Road to Recovery

For the industries most impacted by the recent economic downturn, recovery won't happen overnight. According to research published by McKinsey Global Institute and Oxford Economics, it could take more than five years for the most affected sectors to get back to 2019-level contributions to GDP. For small businesses, recovery is likely to take even longer.

To kickstart business and resume growth, these companies are going to need injections of both short- and long-term capital. As a result, banks, credit unions and alternative lenders will likely see increased demand in two specific types of commercial lending: government-guaranteed facilities and working capital facilities.

The number one priority for creditors during recovery will be to ensure that payments continue,

whether from outstanding loans or open accounts receivable. All of this comes at a time when many banks and credit unions are struggling to control emerging credit risk.

The Importance of Diversification

- Commercial lenders with diverse portfolios are better positioned to survive a crisis because their exposure is spread over multiple industries, limiting exposure to one any industry, e.g., while travel and event entertainment are currently slow due to the economic downturn, healthcare is working harder than ever to support society.
- Managing a portfolio concentrated in a troubled industry would be like riding a roller coaster – but working with one spread across several industries should, on average, result in a smoother ride.



DID YOU KNOW?

A good solution not only keeps track of every invoice submitted, but also follows debtor and industry trends to shed light on what the future may hold.

Make Informed Decisions

Excellent tracking and in-depth reporting can inform future purchasing decisions, helping commercial borrowers anticipate which debtors are good to work with and which ones to avoid.

- Consider setting up a variety of fee programs to diversify your strategic offering.

Make Confident Decisions

All banks and credit unions are challenged with higher levels of non-performing credits, which cause a distraction to developing new business. But with the right system, you gain efficiency in balancing risk that lets you make more confident decisions.

When you work with Jack Henry Commercial Finance, your business lending can not only survive, but thrive. You'll be able to take advantage of huge prospective opportunities, particularly as Paycheck Protection Plan (PPP) funding runs out. Over the next year or so, businesses will have great needs – with potential opportunity never before seen.

Now is the time to proactively employ the innovative technology you'll find with Jack Henry Commercial

Finance to improve capacity per person and increase transparency in processes and communications between the borrower and the lender. Now is the time to make quality growth your “new normal.”

Get Your Borrowers the Working Capital They Need

By allowing businesses to get early payment on their outstanding invoices, A/R financing provides a quick source of working capital.

- A company using this method of funding sends some of its unpaid invoices to a lending institution for advance payment in return for a fee.
- A/R financing gets businesses the immediate cash flow they need to seize growth opportunities, purchase inventory, take advantage of supplier discounts, increase staff, and even fund payroll.

When you work with Jack Henry Lending Commercial Finance, you can make confident decisions and get your borrowers the working capital they need for their road to recovery.

Understand Underwriting Changes



Lenders of all types will need to be more conservative than they've been in the past. A greater emphasis will be placed on a prospect's concentration, and higher-risk industries like retail, oil and gas, and aviation, will be approached with more caution than they were prior to the pandemic.

To learn more about Jack Henry Lending Commercial Finance, visit us at jackhenry.com/lending today. You can also contact us at askus@jackhenry.com.