what
KEEPS YOU UP AT NIGHT?

In each issue, this column will ask industry executives what is the one thing keeping them up at night right now…and how do they plan to assuage this worry?

Mark Fagnani

senior managing director,
EverBank Business Credit

I offered an entry to this column about a year and a half ago. I went back and looked at it. Not surprisingly, what concerned me then is still what concerns me the most today – deal flow and credit losses. Today's environment is as competitive as ever with many new entrants into the marketplace (including ourselves), rate compression, looser structures and savvy borrowers all looking for the best deal. To succeed, we need to be creative, flexible and nimble. We need to be able to deliver what we offer and to execute quickly and flawlessly. That, in turn, requires a great team, shared goals and a consistent process. To achieve that, you have to pay attention to the details every single day. The flip side of booking loans and achieving growth goals is not losing money on the loans you book. That requires constant vigilance and a well trained staff that knows how to look for and react to the warning signs of a problem. I was fortunate to have some of the early leaders of our industry as mentors and they each trained me to never let my guard down. They also instilled in me a very strong sense of the value of training, hands-on experience and a shared sense of purpose. Those values, in turn, lead to outstanding teams. Since I believe we have that, I still worry about deal flow and credit losses and try to think strategically about how to deal with those issues, but I sleep pretty well most nights.

Betty Hernandez

executive vice president,
chief credit officer,
North Mill Capital, LLC

As I have said often, inventory advances keep me up at night. However, this time I'm going to be more specific. Borrowers whose inventory is commodity-based are really concerning me right now. Although commodity pricing has always fluctuated, it seems to me that the recent sustained decline in metals, oil and gas prices have impacted collateral values immensely. Not only do the changes in the spot market impact the collateral, the loss of availability for borrowing purposes has impacted the already weakened borrower's cash flow. Furthermore, despite the fact that we obtain inventory appraisals, by the time the appraisal results come back (no offense to the appraisers out there), the values have probably dropped even further, necessitating not only a decrease in the advance rate (since it is a function of the NOLV) but also the gross collateral values themselves. The real question is: "when will we reach rock bottom?" Unfortunately, no one knows and only the strongest players in the scrap reselling, mini-mills, service centers, etc. will survive. Managing through this volatility keeps me up at night!

Jennifer Sheasgreen

president, Triumph Healthcare
Finance

What keeps me up at night is making sure that the cash that goes out, comes back in. We are a prudent lender. We monitor our risks, we assess credit quality and collateral, we keep abreast of changes within the healthcare industry, and we continually strive to improve upon our processes to ensure we are maintaining cash dominion and structure transactions in a way to appropriately mitigate our risks. We developed a "Red Flag Roadmap" system that is at the core of our operations group. It's a tool to help our relationship managers identify and assess potential risks and to be able to determine if a potential red flag is a bump in the road or a downward spiral. The framework gives our team the guidance to consider when identifying immediate steps and action plans, which include appropriate escalation. As a growing division, I find that these control points are increasingly important so that the entire team is on board with how we should be viewing our credits and we can all sleep well at night.

If you are interested in participating, please contact Eileen Wubbe, senior editor, at ewubbe@cfa.com