Addressing lending and credit constraints caused by COVID-19

How Deloitte can help banks navigate the credit implications of the current environment

As a result of COVID-19, many find themselves out of work and may be struggling to make payments on mortgages, credit cards, auto financing, and other loans. Payment delinquency could hurt their credit reports and their ability to borrow in the future.

At the same time, corporations have sought hundreds of billions of dollars in emergency funding, tapping credit lines to pay their bills. Given the ongoing public health crisis, companies across industries remain stressed, placing pressure on lenders and other financial institutions as they look to build a cushion for economic uncertainty.

Government support
In recent weeks, the Federal Reserve Bank (FRB), Treasury, and Congress have coordinated on policy responses—including the Coronavirus Aid, Relief, and Economic Security (CARES) Act—to directly support the flow of credit to households and businesses to help stabilize the economy. While early signs suggest that markets have grown more stable as a result of this emergency action, these programs also create longer-term credit implications for consumers, small businesses, corporations, and financial firms.

Operational considerations

The economic slowdown continues to negatively impact credit customers and will place significant strain on financial institutions.

- Demand for refinancing, loan extensions, and other credit products will substantially escalate
- Contract renegotiations are expected to increase as financial covenants are breached and collateral value depreciates
- Resource constraints will become exacerbated as transaction volume spikes
- Established processes and structures for risk, compliance, and overall credit governance will need to be streamlined for greater efficiency
- New analytics capabilities and enhanced reporting will be required as processes are updated and current systems stressed

What this means for banks

While certain regulatory standards and requirements have been relaxed pursuant to the CARES Act, it's important for financial institutions to consider compliance and risk management while updating processes and controls to allow for increased demand. At the same time, there's a need for banks to begin considering a more “strategic” view of how COVID-19 will impact consumer, small business, and corporate behaviors over the longer term.
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How Deloitte can help
Our program is designed to help you rapidly expand your institution’s capabilities and capacity to help you adapt quickly in this fast-changing environment. We’re offering our industry experience, subject-matter knowledge, and business scale in these key areas of need:

- **Response management services** to support your program management team in addressing the impact of COVID-19 and building sustainability across your business and operating model.
- **Process support and workforce readiness** through staff augmentation, where highly-trained Deloitte professionals will work under your direction to provide remote, round-the-clock support in areas of operations, loan servicing, call centers, and more.
- **Credit knowledge, experience, and tools** to assist you in evaluating and enhancing a range of key credit risk capabilities. Some of these capabilities include credit portfolio assessments, scenario analysis and stress testing, risk data and reporting, securitizations, and credit governance and strategy.
- **Augmentation of existing technology platforms** while providing enabling tools to help you effectively address volume, capacity constraints, data analytics, and reporting.

The value we bring
As this unprecedented situation continues to unfold, you can trust Deloitte to work alongside your teams to drive value not only for the individuals and businesses in need, but for your organization as well.

- We can assess and supplement your current credit technology with enabling tools to address volume constraints and provide much-needed reporting and data analytics.
- We can quickly provide resources—to augment current staff or act as strategic subject-matter specialists—who are experienced in assessing risk models and the redesign and implementation of new processes across the credit life cycle.
- We can deploy risk sensing tools designed to monitor adherence to portfolio strategies.

Connect with us to learn more

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