

Meeting customer demand for long-term fixed-rate financing

Case study

A \$2.8B community bank in the Midwest wanted to provide their commercial borrower with long-term fixed rate funding through a swap program with a correspondent bank. The correspondent bank denied their request due to a disagreement over loan-to-value proceeds.

Key goals

- Meet customer demand for long-term fixed rate financing
- Provide loan proceeds that are competitively priced and aligned with the bank's credit culture
- Generate fee income

Our approach

- Enabled the bank to offer the swap agreement directly to the customer removing the correspondent bank from the customer relationship
- Delivered a solution that met the customer's needs and a credit risk profile acceptable to the bank without influence from a third party
- Removed the interest rate risk by executing an offsetting swap with a dealer counterparty
- Established procedures and provided training and a technology platform to manage the swaps
- Leveraged long term experience working with community banks and presence in capital markets to provide a solution customized to meet the needs of the bank

Results

- Saved a customer relationship and booked a \$12.1M 10-year loan
- Generated **\$100k** in additional fee income compared to what would have been earned with the correspondent bank
- Enabled the bank to deliver a streamlined 100% local solution to the customer by removing the correspondent bank from the customer relationship

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