

CORONAVIRUS & COMMUNITY: BANKS CAPITALIZING MUNICIPAL GOVERNMENTS

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The Coronavirus (COVID-19) was first identified in the Wuhan, Hubei Province, China in December 2019. COVID-19 is an airborne respiratory virus that results in coughing, high temperatures, and shortness of breath. Albeit the symptoms are similar to the common flu, scientists believe COVID-19 is ten times more deadly and spreads at an exponential rate. As of March 20, 2020, we have 250,856 confirmed cases and 10,389 deaths due to COVID-19 worldwide.^{1,2}

GLOBAL RESPONSE

Industrialized nations have essentially shutdown most businesses, which impacts every aspect of the global economy. Each nation is vigilantly attempting to slow the virus through limiting human contact and finding a cure.

In the United States, federal, state and local officials have encouraged companies, schools, movie theaters, restaurants and virtually every aspect of the economy to work from home or shut down.

Only the most essential services such as hospitals, municipal governments, grocery stores, fast food restaurants with drive up lanes, and pharmacies have stayed open. Media, phone, and internet companies have also remained open to disseminate public health updates, federal and state policy changes, and other information through their platforms.

US GOVERNMENTAL RESPONSE

In March 2020, President Donald Trump, formed a COVID-19 Task Force comprised of scientists and policymakers to lead with science and marshal the resources of the federal government, state and local governments, and the private sector, to win the war on COVID-19.³

The Federal Government has four major goals.

▼ **REDUCE THE INFECTION RATE**

▼ **PROTECT THE AMERICAN PEOPLE**

▼ **PREVENT AN ECONOMIC DEPRESSION**

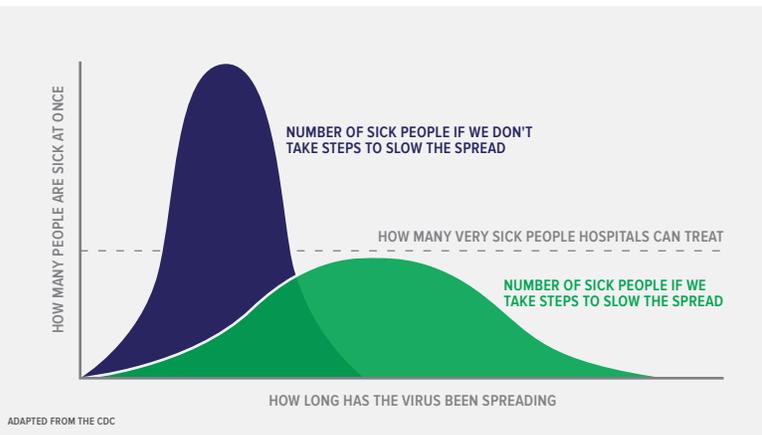
▼ **RESTART THE ECONOMY**

REDUCING THE INFECTION RATE

Federal and State Governments are encouraging people to maintain a 6-foot social distancing zone between one another and limit groups to 10 or less. Secondly, the government has requested those businesses that can work virtually from home, do so immediately.

The goal is to flatten the infection curve to reduce the spread of the virus.

Additionally, the federal government has formed public private partnerships with private infectious disease testing firms to ramp up the COVID-19 testing rate nationwide. If anyone tests positive for the virus, they are either hospitalized or asked to self-quarantine depending on the severity of their symptoms.



PREVENTING AN ECONOMIC DEPRESSION

COVID-19 has caused an unprecedented disruption to the global economy, financial markets, and supply chains, which will result in massive layoffs that have yet to be fully determined. The US has responded with a \$1.3 trillion Coronavirus Response Plan to provide immediate relief to American businesses and its citizens.

▼ US CITIZEN RELIEF

- Direct Financial Payments to Adult Americans
- Unemployment Insurance
- Delay Tax Payments
- Paid Sick Leave

▼ VULNERABLE POPULATION

- Low Income Housing
- Disadvantaged Community Free and Reduced Priced Meals
- Elderly Assistance

▼ US BUSINESS RELIEF

- Government Secured Loans
- Payroll Tax Relief
- Lower the Federal Funds Rate to 0%

▼ CURING AND IMMUNIZATION

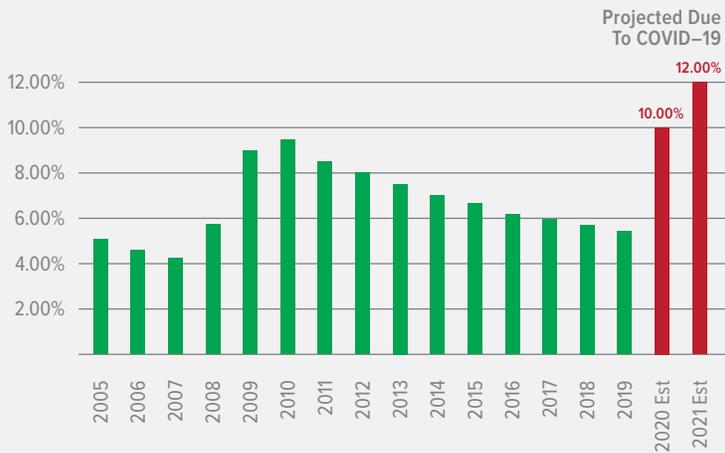
- Partnering with Private Drug Companies to Develop and Distribute a Vaccine

HOW COMMUNITY BANKS CAN RESPOND DURING THE COVID-19 CRISIS

COVID-19 will have a dramatic impact on business and municipalities for several years. When people stop working and curtail the buying of goods and services, it translates into a precipitous decline in sales tax revenues for state and local governments. A prolonged economic downturn will further drive up unemployment, which will trigger a decline in property values and therefore a decline in future property tax revenues for municipalities. Those funds are used for public safety, community health, and general government functionality. Everything must be done to restore the economy, grow employment, and enhance economic prosperity.

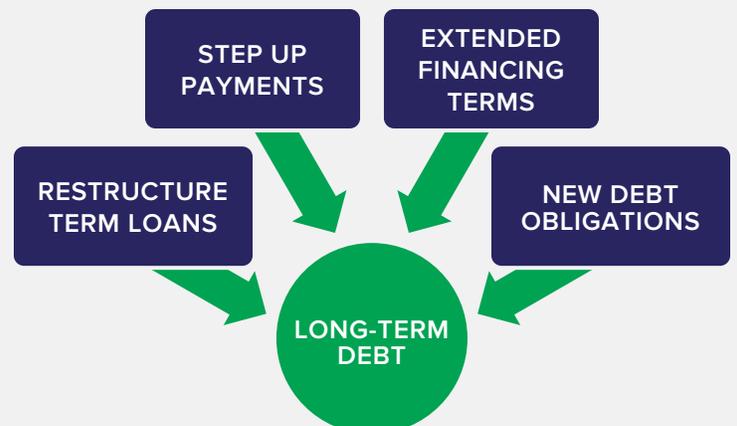
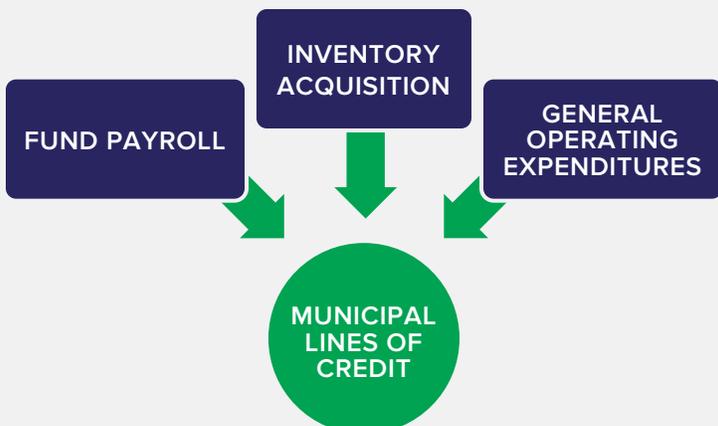
Community Banks will play a vital role in assisting municipalities to deliver ideas and capital to finance operating expenditures, infrastructure, and stabilize communities. The goal is to save US jobs, accelerate the recovery process, and enhance municipal preparedness.

US UNEMPLOYMENT RATE



DEPLOYING COMMUNITY BANK CAPITAL TO MUNICIPALITIES

Community Banks can provide two key solutions for municipalities: 1) a line of credit and 2) long-term credit facilities. These products will provide liquidity and financial stability for municipalities to deliver essential services through the COVID-19 crisis and beyond.



HOW COMMUNITY BANKS BENEFIT

Community Banks can diversify their portfolios which tend to be heavily weighted in commercial real estate with small and medium sized businesses. Investing in municipal loans will generate benefits for the bank and the American people.

MUNICIPAL LENDING ADVANTAGES

- ▼ PORTFOLIO DIVERSIFICATION
- ▼ IMPROVED CREDIT QUALITY
- ▼ ASSET GROWTH
- ▼ STRONG COLLATERAL
- ▼ PREDICTABLE INCOME
- ▼ ATTRACTIVE YIELDS
- ▼ DEPOSIT GROWTH
- ▼ STRENGTHEN AMERICA

CONCLUSION

The COVID-19 pandemic is spreading at a rapid rate throughout the world. The US is taking the lead to focus its resources to win the war. Communities across the US and worldwide are curtailing human physical interaction to lower the infection rate. The federal government is providing an unprecedented fiscal and monetary stimulus package to prevent a global recession.

Community Banks can play a vital role by providing municipalities with working capital loans, and restructuring existing debt to stimulate economic growth, boost employment, and accelerate the recovery process. Community Banks will grow their balance sheets, enhance portfolio diversification, generate attractive returns, and build a resilient economy.

Once the economy begins the recovery process, community banks can focus its resources on new acquisitions and infrastructure modernization.

COVID-19 REFERENCES

1. John Hopkins University COVID-19 Tracker - <https://coronavirus.jhu.edu/map.html>
2. Center for Disease Control - <https://www.cdc.gov/>
3. White House - <https://www.whitehouse.gov/>



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