

Four Primary Drivers Prompting Growth in Subordinated Debt

With the first quarter of 2022 in the books, analysts at Catalyst Strategic Solutions have seen a large uptick in credit unions seeking to issue subordinated debt. Capital amounts issued to credit unions are ranging from hundreds of thousands of dollars to hundreds of millions.

The specific business case for each issuer has varied, but the core underlying drivers have been consistent.

Four primary drivers are prompting the growth in subordinated debt.

They are:

- Restoring regulatory capital
- Facilitating expansion (organic or acquisitions)
- Supporting accelerated growth levels
- Investing in technology/enhanced member experience

Rather than a single driver, almost every planned issuance in 2022 has contained some combination of the four key focus areas listed.

For example, our experience shows that credit unions are seeking to rebuild their net worth positions, but they also want to expand their geographical footprint, invest in new technology, and even seek bank or credit union acquisitions. This illustrates how subordinated debt issuances can benefit credit unions – supporting them in achieving business goals and objectives that are limited by current net worth levels.

If you have ideas or business opportunities that you're unable to execute because of your credit union's net worth, subordinated debt may be an ideal solution. With maturity terms ranging from 5-20 years and the ability to include prepayment/call provisions, issuers have flexibility to create structures that align with their unique business strategies and needs.



*By Mark DeBree, CFA
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However, subordinated debt does not work for everyone. Eligibility is limited to low-income designated credit unions, complex credit unions, and new credit unions. The biggest benefit accrues to credit unions granted a low-income designation by the NCUA, as these credit unions are eligible to count subordinated debt directly towards net worth.

Need resources to put your plans into action? Subordinated debt is the solution to turn your ideas into reality. And Catalyst Strategic Solutions can help. For more information, call 800.301.6196, or contact your Area Sales Manager today.



Annual Meeting Highlights Innovation, Four Elected to Board

Catalyst Corporate recently held its 11th Annual Meeting of the Members. The online meeting highlighted Catalyst's continuous commitment to innovation with the release of new products, such as PayMöli P2P, AFS deposit fraud detection and the CECLution online platform. The "winning formula has, again, added up to a very successful year," Catalyst Corporate Board Chairman Lin Hodges shared.

Four individuals were re-elected to fill three-year terms on Catalyst's Board. They are: **Steven Devan**, President/CEO of East County Schools FCU in San Diego, California; **Syed Dinar**, EVP/CFO at Texas Bay CU in Houston, Texas; **Jon Hernandez**, President/CEO of CalCom FCU in Long Beach, California; and **Lin Hodges**, President/CEO at Associated CU in Norcross, Georgia.

If you missed the Annual Meeting, a video recording is available, along with Catalyst Corporate's 2021 Annual Report, Audited Financials and other related materials at catalystcorp.org/annual-meeting.



Steven Devan



Syed Dinar



Jon Hernandez



Lin Hodges

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Forum 2022: Federal Reserve's Dan Gonzalez to Address FedNow Instant Payments & More

The Federal Reserve says it is still on track to begin the pilot program of its FedNowSM Service the second half of this year. And timing couldn't be better for Catalyst Corporate's 46th Annual Economic & Payments Forum. A new session, entitled "FedNow and What it Means to You," has been added specifically to answer credit union questions on the FedNow Service.



Daniel Gonzalez, Vice President, National Account Director at Federal Reserve Financial Services will provide an update on the status of the FedNow Service implementation.

Gonzalez has overall responsibility for the Fed's Financial Services relationships with the top 25 financial

institutions in the country, as well as payment networks and service providers. His responsibilities include engaging with the industry to define and prioritize system improvements that advance payment speed, efficiency and security.

Gonzalez' Forum presentation will address critical topics, such as:

- Phase one functionality for FedNow
- Account-to-account (A2A) and consumer-to-business bill pay use cases
- ISO 20022 and interoperability with other instant payment services
- Techniques for combatting fraud
- Where your institution should be on the FedNow readiness journey

In addition to Gonzalez' presentation, the 2½ day event will cover a host of other relevant and insightful



topics impacting credit unions today, including:

- Geopolitical concerns
- Industry economic forecasts
- Labor market
- Liquidity challenges & solutions
- The latest cyberthreats

Last, but certainly not least, this year's Forum will offer up to 14 CPE credits, and, of course, plenty of networking opportunities. Early bird registration is now open. For more information on the 2022 Economic & Payments Forum, or to reserve your spot, visit catalystcorp.org/forum.

Looking for additional lines of liquidity or a means of managing loan growth? Look no further. LPX can help.

Catalyst Corporate has facilitated billions of dollars in loan participation sales to hundreds of credit union buyers - with asset sizes ranging from less than \$100 million to more than \$10 billion. What are you waiting for? Learn more about the Loan Participation Exchange platform today: lpexchange.org.

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