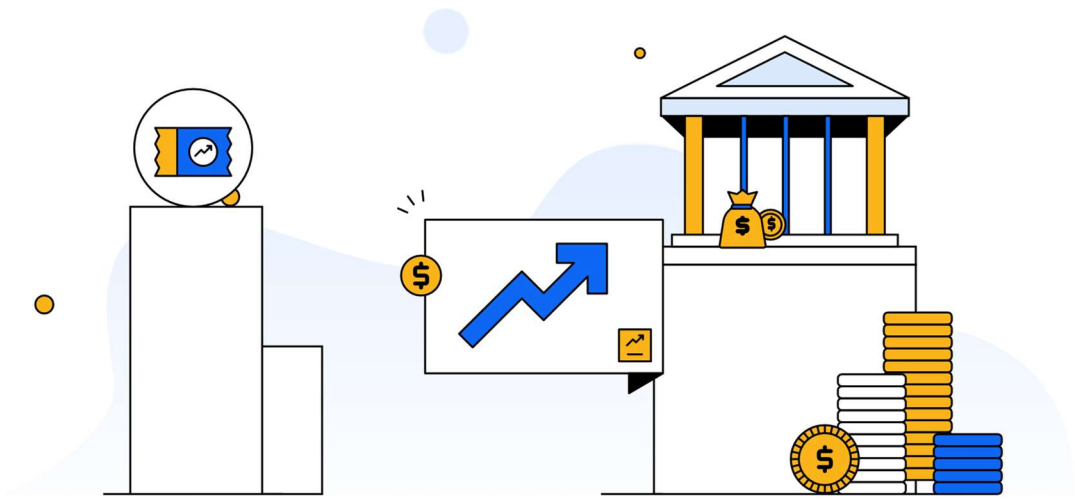


# SUPERNOVA

TECHNOLOGY



## During Times of Crisis, Securities-Based Lending on Supernova Technology's Platform Surges

Supernova Technology

T: 312.470.6280 E: [info@supernovacompaines.com](mailto:info@supernovacompaines.com)

## Executive Summary

It's no secret the 2020 COVID-19 pandemic has caused major disruption to the economy. As the United States continues to get hit hard by the pandemic, unemployment filings are reaching record highs and many Americans, rich or poor, struggle with access to liquidity<sup>1</sup>. While simple answers are hard to come by, some investors are finding a good solution in securities-based lending (SBL) through digital access provided by Supernova Technology (Supernova).

Supernova is the technology leader in SBL. We offer the industry's only cloud-based, end-to-end digital SBL solution. Since the onset of the COVID-19 pandemic, our enterprise customers have benefited from a growing demand for SBL, owing to its ability to arm investors with fast and digital access to cash in times of need. Since the start of the pandemic, we have observed:

- A significant increase (300 percent) in requests for new lines by investors that have never before had a securities-based line of credit (SBLOC) in place;
- A significant increase in use of lines by investors who already had an SBLOC in place, but had never used it before;
- Investors are initiating first draws on their lines within five days of origination, versus their pre-pandemic average of 55 days, indicating a greater sense of urgency in their need for liquidity;
- Despite tumultuous market conditions resulting from the crisis, SBL continues to rank high on the list of safest credit products available with, to date, a zero percent default rate among our customers; and
- SBL continues to enable firms and their advisors to grow assets under management (AUM), even amidst crisis, as customers move new assets to expand eligible credit capacity, meet maintenance requirements, and lower interest rate.

Our findings illuminate that institutions that are more digitally forward (for example, those who have deployed the digital SBL solution Supernova provides), are able to support their customers' needs despite shelter-in-place mandates and have benefitted from the surge in demand of SBL. For assistance in efficiently growing an SBL

---

<sup>1</sup> <https://www.nbcnews.com/business/economy/coronavirus-job-losses-could-total-47-million-unemployment-rate-may-n1172111>

program under the current conditions, financial institutions can rely on Supernova's digital solution to provide cost savings<sup>2</sup>, reduced time in getting to market, and greater transparency to proactively mitigate and manage risks.

## Access to Liquidity without Disrupting Carefully Planned Investment Strategies

A securities-based line of credit, or SBLOC, is a line of credit that allows investors to borrow against their taxable investment portfolios to address their financial needs, typically at a lower interest rate compared to other alternatives. SBLOCs allow clients to easily unleash the value of their investment portfolios by using the eligible assets as collateral. Whether they need funds to pay for life's expenses while suffering an unexpected job loss during a time of crisis or to pay off student loans, purchase a new car, or anything other than additional securities, an SBLOC enables investors to achieve financial wellness, without disrupting their financial goals and carefully-planned, long-term investment strategy.

Since the onset of the COVID-19 pandemic, we have observed a significant increase in requests for new SBLOCs from investors who never had one in place before. Anecdotally, we have heard from our customers that many investors who were previously unaware of SBL and its potential benefits have sought out information from their advisors on the subject since the onset of the crisis. When they did, they learned SBL could be a beneficial liquidity solution for many, offering:

- Favorable interest rates compared to other credit options<sup>3</sup> (*i.e.*, credit cards, payday and personal loans, etc.);
- Flexible terms and repayment options that put investors in the driver's seat<sup>4</sup>; and
- When using Supernova's digitized solution, fast access to liquidity (sometimes in a few hours or less<sup>5</sup>).

---

<sup>2</sup> Based on observed data, Supernova estimates per-line cost savings by as much as 85%. There can be no assurance that any projected or forecasted results can be attained.

<sup>3</sup> [Interest rates are typically LIBOR plus two to five percent.](#)

<sup>4</sup> <https://www.supernovacompanies.com/resource/faq>

<sup>5</sup> See Footnote 3.

---

As a result of the above-mentioned benefits of SBL, and our customers' ability to provide fast and digital access to funds, we have seen a 300 percent increase in new line originations since the COVID-19 pandemic<sup>6</sup>:



## No Need to Sweat with an SBLOC in Place

At Supernova, we're thought leaders in SBL. In fact, it's all we do. When you adopt our digital solution, you gain a trusted partner to help guide you along the way with full adoption support. As part of that support, we help educate your advisors on how to deliver more consultative, holistic advice encompassing both sides of the balance sheet. Integral to this support is sharing that our most successful customers have instilled a culture of proactive line setup. As we always say, though many may not ever use their line, having one in place provides the peace of mind to know you are armed with the necessary resources to overcome whatever curveballs life throws your way. And while we believe every investor should have a line in place, we likewise stress to our customers that it's not at all about encouraging investors to borrow more, but rather to be prepared for the unexpected.

With the onset of the COVID-19 pandemic and record-breaking unemployment statistics, this is truer now than it has ever been before (in most of our lifetimes, at least). And while restrictions placed upon in-person meetings and travel have weighed heavily on the economy, being isolated from your advisors and back-office staff doesn't have to result in a halt to your business. With our solution, investors are just one click away from requesting a draw on their SBLOCs from the comfort of their home.

<sup>6</sup> Figures calculated comparing three-month, pre-pandemic period spanning December 2019 through February 2020 to March 2020.

Our streamlined, digital access to liquidity has helped investors weather the COVID-19 storm and we're experiencing across-the-board gains in volume and use; since mid-March, line count has increased by 10.3% and loan balances increased by over 6%. While the numbers have risen across the board, Supernova observed exponential increases in activity during the week of March 16<sup>th</sup>, a short but profound period of record-breaking market volatility. Specifically, we observed:

- The most ever-recorded draws on our platform in one week; and
- Our second-highest weekly draw volume total ever recorded.

## Investors Need Liquidity and They Need it Now

Though the COVID-19 pandemic will eventually pass, things will never be the same. The old normal is gone and from its shadow emerges increased demand for speed, visibility into risk, and ease of use. It will no longer be acceptable for parties to push papers back and forth, enduring delays waiting for completion of tedious paperwork and signatures. Likewise, gone are the days where clients will tolerate waiting two weeks or more for their lines to be set up and loans to be funded.

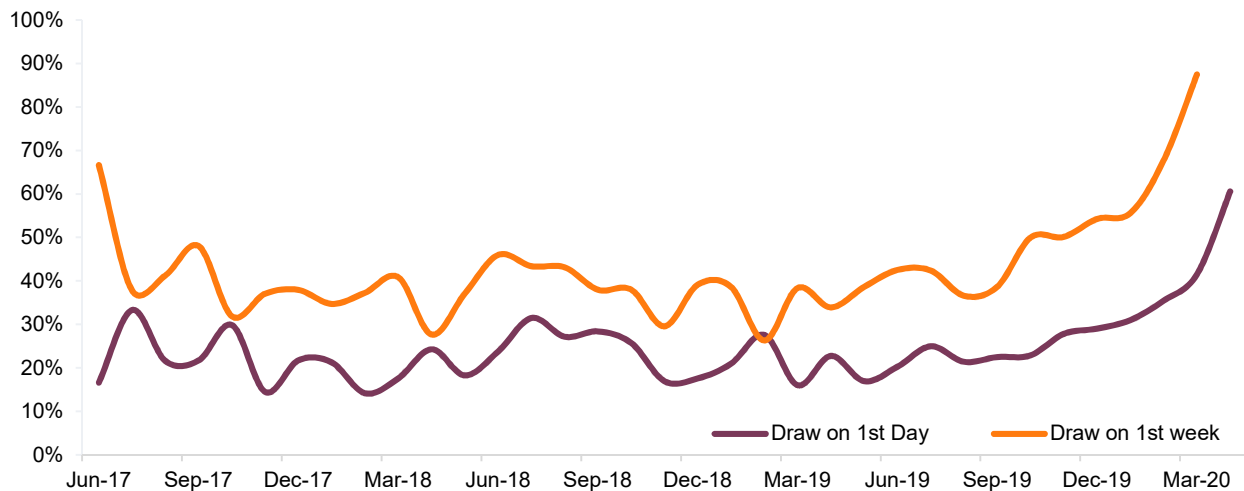
At Supernova, we are innovators. We put an end to the complexity with our fast, digital solution that helps our customers grow their SBL programs in an efficient, cost-effective way. We overcome the challenges presented by the crisis by offering:

- Speed:
  - Origination of a line in as little as 10 minutes<sup>7</sup>;
- Ease of use:
  - Investors can request a draw with one click, from the comfort of their home;
  - An intuitive interface that's simple to navigate, even for parties with little or no technology experience;
- Scale:
  - Our platform is designed to handle millions of clients;
  - A digitized process leads to productivity gains that empower advisors to handle more clients at once; and
- Flexibility in offering an end-to-end solution or just the modules you need.

---

<sup>7</sup> See Footnote 3.

The nature of the pandemic was so sudden and so severe that it left many scrambling for liquidity. In fact, our data shows investors are initiating their first draw in an average of five days, compared to the previous average of 55 days, a 90 percent reduction. Such reductions happen seamlessly with a digital platform that operates 24/7, allowing investors to self-serve.



## Zero Default Credit Offering Even at Time of Crisis

While SBL offers quick and inexpensive access to liquidity without triggering capital gains or losses, is not risk-free<sup>8</sup>. Market fluctuations may cause the underlying securities to decrease in value, which could trigger a collateral maintenance call (collateral call). An SBLOC in a collateral call can return to good standing on its own with a market rebound (depending on the lender), or when an investor pays off a portion of the loan with cash, by adding new assets to the collateral account(s), or selling some of the underlying securities to paydown the loan.

Though collateral calls are undesired, Supernova offers peace of mind by providing our customers with the tools and data they need to help proactively mitigate the risk of a call. With our collateral risk monitoring capabilities, we provide:

- Daily monitoring for collateral account values, including loan equity and excess maintenance equity;

<sup>8</sup>See Footnote 5.

- Predictive collateral risk exposure analysis for probability of collateral call;
- Multilayer dashboards, reports, and charts, providing insightful and actionable views into multiple analytics at loan book, line of credit, and collateral account holdings levels;
- Collateral and loan activity historical trend analysis;
- Granular asset type, sector concentration, geo-exposure, interest rate sensitivity for collateral portfolio analytics; and
- Stress testing and what-if analysis tools.

In the unfortunate event of call, we streamline communication around the process of returning to good standing, making an otherwise unpleasant event as painless as possible. Our solution includes:

- Automated call management to allow teams to handle more collateral calls at once during periods of increased call volume;
- Notification messaging and color-coded risk visuals that offers all parties transparency into accounts; and
- The ability to customize automated messaging as desired.

These features allow risk officers, advisors, and their clients to gain unprecedented visibility into the status and health of loans at both the individual and loan-book level. As a result, advisors can work proactively with their clients to give them an early warning of a potential collateral call. And in many cases, early warnings allow investors to take measures to mitigate calls before they happen. On the firm side, risk officers no longer need to operate in the blind, especially during tumultuous times of market volatility when conditions change quickly. Teams can say goodbye to long evening and weekend hours spent manually updating spreadsheets and hello to real-time risk visibility.

Throughout the COVID-19 pandemic we have seen these features come to life for our clients, despite record-breaking market fluctuations. During this time, our customers have benefited from our enhanced risk monitoring capabilities, and their zero percent default rates is evidence of the fact that SBL continues to rank high among the safest credit products on the market. During this time, we have seen:

- Despite the significant market drop, only one percent of loans fell into a call; and
  - Of those that were in a call, a majority were resolved on their own as market prices recovered the following day.
-

## Conclusion

During these unprecedented times, there is an increased market demand for liquidity. Financial institutions should consider meeting this increased demand by offering SBL to their customers. By leveraging Supernova's digital solution, firms can deliver a lightning-fast digital experience, meet and exceed customer expectations with regard to speed and ease of access, enable their teams to monitor and mitigate risk proactively, and realize new avenues of revenue growth and asset acquisition. SBL, powered by Supernova, results in a win-win (win); investors obtain favorable access to liquidity, advisors meet their customer's needs, which leads to better, more long-term relationships, asset retention, and acquisition, and firms gain revenue growth. To learn more about our solution and discuss how we can help you grow, visit [www.supernovacompanies.com](http://www.supernovacompanies.com) or email us at [info@supernovacompanies.com](mailto:info@supernovacompanies.com) today.

---