After more than 10 years of economic and financial recovery — our country is now challenged with a spreading virus that no one can see, and potentially a related recession resulting from the shut-down of much of our economy. This is a tough time for everyone, especially consumers that may have already been laid off, or are facing unemployment.

When times get tough for consumers, they inevitably get tougher for consumer and small business credit grantors, and the financial institutions that stand behind them. As we write this, many of our financial clients (both traditional and fintech) are in the process of re-cutting charge-off projections, re-assessing capital deployment, and in many cases curtailing marketing. And all of this is going on in the face of extreme uncertainty — because no one really knows how short or long lived these challenges will be.

At the Kessler Group (KG), we are fortunate to employ a team of highly talented people who have deep experience in consumer financial services — and who have managed through a variety of challenging environments. At a time like this, our perspectives and capabilities may add value for those grappling with today's challenges.

First, here are some of our perspectives:

- **This too shall pass.** America has the greatest people, health care system, businesses, financial institutions and economy in the world. We are resilient in the face of adversity, and have proven that time and again. So be cautious now — but realize that life and business will return to normal.
- **Times like these often yield longer term business benefits.** Crises cause us to re-examine many of the things that we do: from leadership and the contributions of our people, to the effectiveness of our marketing efforts, to the efficiency of our operations, to the composition of our portfolios, to the optimal deployment of scarce capital.
- **Beware of disparate impacts on credit quality.** During the financial crisis that began in 2008, unemployment sky-rocketed and credit quality deteriorated across the board — but to a greater degree differentially as one went UP the credit spectrum. For example, while lower end credit spectrum charge-off rates might have increased by a third, in some cases, prime and super-prime rates doubled or even tripled. This time the impacts may be different — depending on the composition and duration of the economic slowdown. Right now, the initial unemployment surge appears to be more service worker and small business oriented, and largely comprised of lower income earners (who may soon benefit from the government's economic stimulation efforts). The ultimate impacts on higher earning people, many of whom fall into the prime and super-prime categories, will likely be more dependent on how long it takes for normalcy to return to business, and whether the financial markets recover quickly or slowly.

- **The bear market that began in 2008 impacted virtually all asset classes eventually. This may or may not be the case this time.** For example: At the moment, people may be sanguine about the value of their home, but it is already likely that demand is softening despite record low interest rates. As equity markets shift, buyers can lose firepower and capital markets can seize up, restricting access to downpayments and mortgage loans. The "bear" may be more selective this time if we get a snapback recovery, fueled by the enormous monetary and fiscal stimuli being provided by our government.

Second, there are a variety of things that KG excels at that can potentially help our clients (and prospective clients) during times like these:

- **Evaluating our clients' portfolios** to provide an alternative and unbiased perspective on potential performance in recessionary scenarios — and potentially in concert with this, suggesting related risk mitigation strategies. (KG and our investors have recently purchased several portfolios totaling in excess of $1 billion. In this regard, we are "practicing what we preach" using our expertise and daily performance data to run scenarios on our own portfolios.)

- **Working with our clients to optimize their consumer credit businesses** — including identifying and orchestrating the movement of higher risk (capital consuming) assets off balance sheet.

- **Advising fintech lenders and card issuers** — an area where we have recently added deep expertise.

- **Helping orchestrate win-win outcomes** for groups and financial institutions by helping identify, broker and orchestrate the movement of co-branded or affinity card programs and portfolios.

- **Providing pay-for-performance marketing funding** that allows our clients to do more marketing, while transferring program risk to KG. An added benefit of these programs is that acquisition expenses are incurred over time, better aligning origination costs with revenues. (To date, we have funded almost $1 billion in marketing, including for several of the top 10 banks coming out of the Great Recession.)

- **Providing marketing strategy and agency services** that incorporate our years of experience to drive improved results, helping make scarce marketing dollars go farther.

To our clients, and prospective clients, we hope this is helpful. During times like this, KG is poised to help in any way that we can.

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