



As we miss the collegiality and information flow of daily life – and great events including CIASF’s – we have decided to launch several question and answer sessions with key real estate executives and thought leaders. See below for insight on how **Patrick Khoury - Vice President of FNBSM and prior CIASF President** - is managing the COVID-19 pandemic. We send these emails, most of all, with the hope that you and your family are safe, and your business resilient.

Patrick, as a lender, you probably have a bull’s eye view of business distress across business sectors during the COVID-19 crisis. What are you seeing?!

Clearly, certain sectors are being hit harder than others, and about 99% of people are being hit. Restaurants are profoundly affected but have been ramping up direct take-out and delivery capacity and have Uber Eats/Postmates to maintain some level of activity. Some restaurants have also been able to convert some servers to delivery personnel, but the hit is still hard. Some of our Hotel clients have had to completely shut down and although we tend to think that medical personnel are busy, we see some seriously impacted; for example, plastic surgeons, physical therapists, and dentists that we work with had to close their businesses.

Do you feel like a big bad lender in this situation?

No – thankfully I work for a bank that cares about relationships. We have been hearing from customers and asked for a few days to figure out how to deal with this before giving an official response. We have created an internal crisis group that put together three lists of FAQ’s– one on deposits, one on lending, one for private banking/wealth management. In addition, we have posted government assistance options on the FNBSM website, focusing on the products that we believe are best for small business.

How do you see deals in the works being impacted?

A full range of impacts – from cancellations to closings. So lenders are in a conundrum. Deals, where we have not already issued commitments, are heavily impacted; historical predictions are largely out the window. If we were to look at a snap shot of the last few weeks we would be seeing negative numbers and no one has a crystal ball on when this crisis will abate. Unfortunately, we think this situation will play out for the rest of the year. Many of our clients have put deals on hold simply due to the uncertainty of the longevity and impact of the crisis.

Do you think banks are playing offense now? Or defense?

Defense is on the field but defense is not always easy when you, too, are in the midst of a crisis. We are being flooded with requests for interest deferrals, but interest is a bank’s source of income, so our decisions need to be prudent for our borrowers and prudent for the bank as an institution and business. Our priority remains to be the preeminent bank South Florida who continues to assist our clients.

To borrow from a question that is familiar to many of us, how is this crisis different from every other crisis?

In this instance, there is no timeline. A useful contrast is Hurricane Irma in the Keys – when we could assess the damage and build action plans. What’s really crazy is that Hurricane Irma encouraged business owners to purchase business interruption insurance, but many of these policies have exclusions for bacteria and viruses. People paid the premiums and didn’t focus on the exclusions. The issue here remains the uncertainty of time and impact. Other countries have taken 60 days; I think we are in something like Day 15 but we still don’t know when this will end. Not to mention the huge financial repercussions that will follow.

What is the lesson of this from a lending perspective?

In underwriting, we have stuck to the principal that we never know when there is a rainy day and have used 3% of gross revenues on an annual basis as a reserve. FNBSM has used 3% – we don’t know if this is an ideal number, but there should be a reserve to help cushion unforeseen circumstances. Unfortunately, we just don’t know when a black swan will be coming – if we know it would not be a black swan. The lesson for all business sectors would be to prepare for the worst and hope for the best.

How is this affecting you on the personal side?

I am a very social person and I feed off the energy of teamwork; I enjoy being a team leader. Working remotely and isolated, with 4 children at home, 2 of whom have to do school work every day is challenging. Like everyone else we discover in these circumstances that we have an amazing ability to adapt and I have now created a new norm and way to get things done. At the office we are trying to have mandatory zoom meetings – hearing people talk and seeing their expressions in the midst of a pandemic is extremely important; I usually always have one of my children on my lap now when I’m at work.

Patrick – CIASF thanks you for these comments and for your exemplary leadership as CIASF’s President. CIASF bylaws provide that your term ends on March 31st, and Janis Cheezem’s term as President starts on April 1st. Can you share some thoughts on the last year and the experience of being President?

It was an honor and a privilege to work alongside my board and for our members. CIASF puts on some really great events and it was a fantastic learning opportunity to be a part of them. Going forward, I am excited to see how creative Janis and her executive team can get in terms of adapting to the new norm. Maybe CIASF will become a germ-free, virtual organization – who knows!