Case study

Offering value through data

Source: Bloomberg Professional
and LGE Community Credit Union

Bloomberg

LGE Community Credit Union, headquartered in Marietta, Georgia, is a credit union serving the metropolitan Atlanta area with 13 full-service locations. The credit union offers consumer banking and insurance, as well as investment accounts such as IRAs. Like many community banks and credit unions, LGE has historically depended on relationships with community brokers and consultants to find, price and execute fixed income and MBS trades. Relying entirely on trust and relationships can prove challenging due to the lack of transparency in pricing. This can be a disadvantage in trade execution.

With the Bloomberg Terminal®, LGE is able to get clarity on pricing and bond analytics instead of relying solely on brokers and consultants. Bloomberg brings transparency by giving financial institutions an overview of the marketplace thus giving more context to what brokers may be proposing. LGE is able to see TBA pricing, overnight rates, swap rates, forward curves and more. The credit union is also able to break out broker offerings by sector and filter through coupon stacks, finding the greatest value in this market. In the process, LGE has discovered efficiencies in the price discovery of bonds.

Using data analysis to keep tabs on the market

Another challenge facing LGE has been the need to analyze information about securities and the markets in order to make data-based decisions, which are becoming increasingly important in the industry.

LGE, like others in the industry, needs to maintain liquidity amid regulatory changes. To prepare, the credit union is running various models to gauge changes to liquidity given various market conditions and calculate their financial impact. Having Bloomberg data on rates and prepayment modeling — as well as expert insight on regulation — helps the finance department prepare for various scenarios. With Bloomberg, LGE is able to download price discovery data on various asset classes, including fixed and floating rate CMOs, CMBS, SBAs or Agency Debt, and compare highest to lowest returns.

LGE is also able to get more information on mortgage securities. Using the Bloomberg Agency Prepay Model (BAM), the credit union can more thoroughly assess the risk profile of a mortgage security and more accurately forecast future cash flows. Using Bloomberg's robust framework helps ensure that LGE understands the risk profile of a particular security and helps it to avoid purchasing bonds that can pose greater risks than they are comfortable with.

"Having the ability to filter through voluminous amounts of information and funnel it down into exactly what is needed to make sound portfolio management decisions is critical."

—Keith Edwards
Vice President of Finance
LGE Community Credit Union

Above: The Bloomberg Terminal Function SYT for Yield Analysis

Monitoring holdings is typically a time-consuming manual process. Bloomberg's interactive spreadsheets and portfolio risk analytics make it easier to slice and dice information in different ways and in less time.

Having access to information not only helps LGE find value but also enables the finance department to compile and analyze data points such as effective duration, swap spreads and option-adjusted spreads. These data points provide color when presenting new investment opportunities or shifts in strategy to the board and other key stakeholders. One area LGE has worked on is transitioning away from a bullet-and-callable ladder strategy to a spread-based strategy. The data provided by Bloomberg is instrumental in offering additional information that helps key stakeholders to make informed decisions.

Above: The Bloomberg Terminal Function OAS1 For OAS Analysis

Providing value to members through data

Credit unions typically follow a high-touch service model, which has become more difficult to deliver amid the current crisis. Face-to-face meetings are occurring less frequently as branches encourage appointment-only visits to facilitate appropriate social distancing. While LGE continues to open new branches, it's also expanding and streamlining its online capabilities.

The crisis has forced community banks and credit unions to rethink their business models. In this shifting environment, value has become more important than ever. That's where data comes in. Having data to stay on top of market and regulatory trends helps LGE serve its membership.

"One thing that hasn't changed is providing value to members. By offering members lower fees, higher yields on deposits and lower rates on loans relative to other financial institutions, we are maximizing member value," said Edwards.

LGE customer profile

• Credit union with 13 branches in the metropolitan Atlanta area
• Established in 1951
• Approximately $1.46 billion in assets
• Serving more than 110,000 members

Bloomberg solutions

Bloomberg Terminal functionality, including:
• Bond screening tools
• Prepayment model calculations & spreadsheets
• Projected portfolio cash flows
• Instant Bloomberg (chat & communication tool)
• Economic calendars
• World interest rates (Fed funds future rate change probabilities)
• Portfolio & risk solutions
• Forward yield curves
• TBA pricing
• New Issue monitor (Agency Debt)

Bloomberg has a team of specialists to discuss your specific use case needs. To get started with Bloomberg's Credit Union and Community Bank Solutions, please visit bloomberg.com/professional/solution/community-banks-credit-unions/

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