

# Business INSIGHTS

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## CLIENT PROFILE

### ASHES TO ASHWOOD

One hundred residents were left homeless when a devastating fire destroyed the Ashwood Apartments in North Coventry Township, PA on July 30, 2020. After the fire, little was left except the buildings' brick and masonry exterior, footings, and foundation. The community was shaken, and the remains of the building were a horrific reminder of the tragedy.

Paul Salvo, of Salvo General Contracting and Janel Loughin, of The Loughin Group with Keller Williams saw a unique opportunity to invest in the local community. They were passionate about doing their part to revitalize the building and bring hope and new life to the community.

This project is close to Janel's heart as she grew up and lives in the neighborhood. Through the revitalization of Parkview on Worth, the newly named complex, the two are in the process of achieving that goal. The 42,150 square foot, 3 story apartment building will consist of 45 one & two-bedroom apartments with an occupancy of 211 people.



**Paul Salvo**  
Salvo General Contracting



**Janel Loughin**  
The Loughin Group,  
Keller Williams

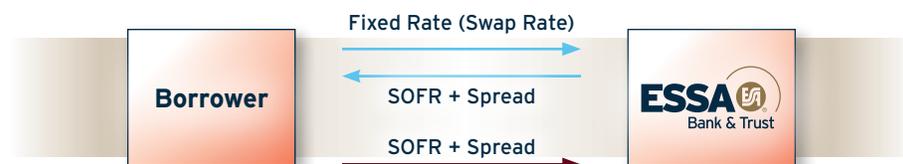
*Ashes to Ashwood Continued on Page 4*



## WHAT IS AN INTEREST RATE SWAP?

A swap, in conjunction with a variable rate loan, is an alternative to a fixed rate loan and is an agreement between two parties in which one party agrees to pay a **fixed rate** of interest and the other agrees to pay a **variable rate** of interest on an agreed upon notional amount.

- ▶ No principal changes hands, simply an exchange (“swap”) of interest payments for a set period of time
- ▶ When used in conjunction with a floating rate loan, an interest rate swap can synthetically fix the interest rate on the variable loan
- ▶ **Example:**
  - The Bank funds the borrower with a variable rate loan indexed to the Secured Overnight Financing Rate (SOFR) plus a credit spread
  - The Borrower executes a separate pay-fixed swap contract in addition to the Loan Agreement, resulting in two distinct monthly payments
  - The variable rate loan and the variable rate leg of the swap cancel each other
  - The Borrower pays the fixed rate to the Bank for the term of the swap, regardless of what happens to the variable rate.



### What are the benefits of an interest rate swap?

- ▶ **Longer Terms** - A swap typically gives a Borrower the ability to lock-in longer term fixed rate financing
- ▶ **Bilateral Pre-payment** - In the event that the swap is terminated prior to maturity, the pre-payment would be equal to the market value of the swap – this could be an asset or a liability to the Borrower
- ▶ **Interest Rate Risk Management** - The Borrower is able to manage the uncertainty of a floating rate financing and have known/fixed debt service
- ▶ **Core Competency** - A swap affords the Borrower the opportunity to focus on the core business and not worry about interest rate risk
- ▶ **Flexibility** - A swap gives a Borrower the ability to hedge all or a portion of the underlying loan for some or all of the term

### What are the documentation, accounting and regulatory considerations of executing an interest rate swap?

**Documentation:** Parties to an interest rate swap must execute market standard swap documentation prior to entering into a transaction. Executing this agreement does not obligate a party to execute a swap.

**Accounting:** Interest rate swaps that are properly structured to match the terms of the underlying financing may qualify for hedge accounting.<sup>1</sup>

**Regulatory:** The Wall Street Reform and Consumer Protection Act (“Dodd Frank Act”) has mandated that parties entering into interest rate swaps be suitable and eligible. Not all Borrowers will be suitable to enter into an interest rate swap transaction.

**For more information on interest rate swaps or to see if an interest rate swap might be right for you, please contact your ESSA Relationship Manager.**

## BUSINESS FAST FACTS

### TIME IS MONEY: REMOTE DEPOSIT

Using remote deposit will help streamline your company's cash management. You can make electronic deposits without sending paper checks to ESSA. All you need is a PC, internet connection and check scanner. Once set up, you can scan and deposit checks electronically into your account. Each scan creates a digital deposit which is then accepted by the bank, posted to your account, and made available based on a schedule. Benefits include:

- ▶ Accelerate clearing and funds availability
- ▶ Eliminate the physical transportation of checks
- ▶ Reduce the time it takes to deposit checks
- ▶ Lower check processing costs
- ▶ Simplify your payment processing

Visit <https://essabank.com/> to learn more or to connect with a member of our Cash Management team.



<sup>1</sup> Consult with your accountants and/or auditors to determine if hedge accounting is appropriate for your particular situation.

## THE FEARS OF SMALL BUSINESS

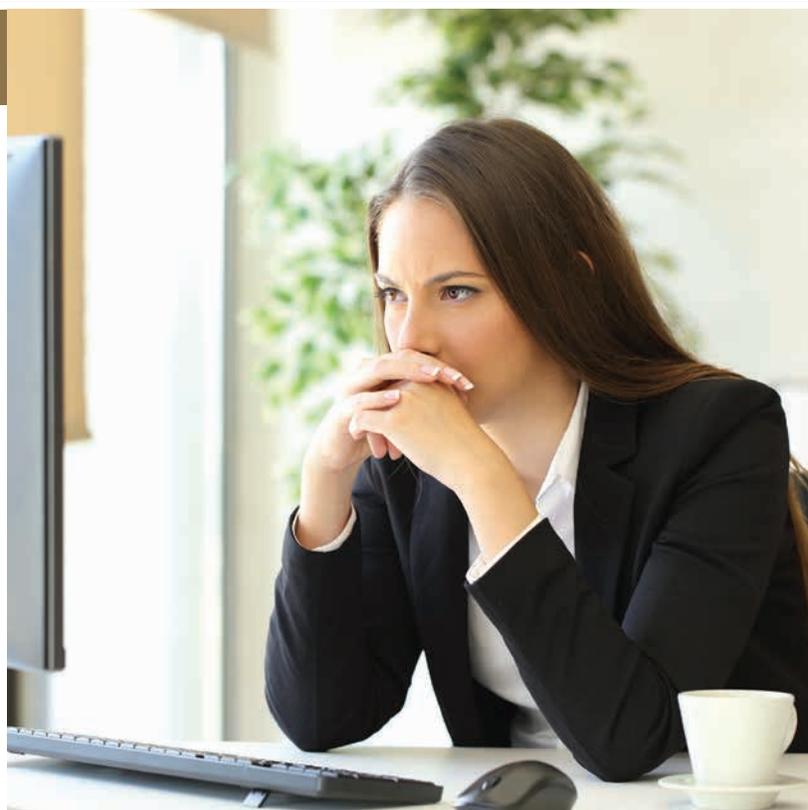
Taking appropriate risks and *feeling comfortable being uncomfortable* are traits successful leaders share. While it's critical to be curious and keep learning, you must also be willing to step outside your comfort zone. When leaders stagnate, the business will too. As you gain experience (both positive and negative), you learn from these and they build upon each other for a collective whole. It also is wise to ask for input from stakeholders and get opinions of those outside your industry. When you try something new, someone is bound to get uncomfortable. But embrace these feelings of discomfort. A new perspective can often yield great dividends.

Likewise, focus on your growth as a leader and person. Prepare and accept that along with the highs, there will be difficulties. It's part of the growth curve. Small businesses face various pitfalls that underscore the need for a business plan. Put strategy behind your decisions.

### Here are some mistakes to avoid:

- ▶ Lack of a business plan
- ▶ Disregarding competitors
- ▶ Growing too fast or avoiding growth
- ▶ Underestimating the need for technology
- ▶ Not relating to your customers
- ▶ Inadequate cash flow
- ▶ Becoming irrelevant

**If you or your business need help navigating your future opportunities, reach out to one of our regional banking team members today. You can find them at <https://essabank.com/>**



## MEET OUR TEAM

ESSA's team of business experts are here to help navigate your business and personal finances. We will introduce some of them to you in each issue.



William Harrison

### **William (Bill) Harrison** *Employer/Employee Benefits*

Choosing the right benefits program is not always easy – but it is essential. If you need help determining your options, William Harrison, Senior Vice President, ESSA Bank & Trust is ready to discuss your needs and customize an Employer/Employee Benefits Program for your business. He can be reached at 610-849-4040 or by email at [wharrison@essabank.com](mailto:wharrison@essabank.com).



William Evans



Mary Ann Zubris

### **William (Bill) Evans and Mary Ann Zubris** *Asset Management & Trust Services*

Our comprehensive Asset Management & Trust services include Discretionary Asset Management services for IRAs and Investment Management accounts, a review of wills and trusts, examining potential tax consequences and creating a customized plan to preserve wealth and define your legacy for you and your family. Bill and Mary Ann are ready to discuss your needs. Bill can be reached at 570-476-3900 or by email at [w.evans@essabank.com](mailto:w.evans@essabank.com). Mary Ann can be reached at 570-408-8037 ext. 1822 or by email at [mzubris@essabank.com](mailto:mzubris@essabank.com).

## ASHES TO ASHWOOD

*Continued from Front Cover*

Paul's company lost no time completing entitlements and demolition shortly after acquisition of the property. ESSA implemented construction financing within 45 days of application post demolition. Paul had the foresight to structurally secure the existing building shell to make the project economically feasible and maintain an aspect of the building's history. Working with a variety of strategic development partners, Paul and Janel created a conceptual plan and subsequently reached out to the ESSA Lehigh Valley Commercial lending team to discuss financing the reconstruction project.

With the supply chain challenges so commonly experienced in today's construction projects, unique solutions were provided to procure materials. ESSA was able to navigate swiftly through the red tape to help overcome the constraints of today's supply chain environment.

ESSA was thrilled to provide financing solutions for this important project and can't wait to see the outcome.

Artist rendering of exterior



Gutted shell

Interior



Interior



Interior construction

# Business INSIGHTS



## Who Is ESSA Bank & Trust?

ESSA Bancorp, Inc. is a Pennsylvania-chartered holding company for ESSA Bank & Trust. We operate 21 community offices throughout Pennsylvania in the Greater Pocono, Lehigh Valley, Scranton/Wilkes-Barre and suburban Philadelphia markets. We provide banking, insurance, investments and trust services to individuals and businesses throughout Eastern Pennsylvania and surrounding markets.

On September 30, 2021, ESSA Bancorp had consolidated assets of \$1.9 billion, loans of \$1.34 billion, consolidated deposits of \$1.64 billion and consolidated stockholders' equity of \$201.8 million.

Established in 1916, our corporate headquarters is located in Stroudsburg, PA with two regional administrative centers in the Lehigh Valley and suburban Philadelphia.

**ESSA**  **Bank & Trust**

Call: 855.713.8001

Online:  
<https://essabank.com/>

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