



## Guest Editor's VIEWPOINT Jim Blessing, NAFA

# Aircraft Financing in the Pandemic Market

**S**o much is different to a few weeks ago. The aircraft finance market, like every other, is unsettled as the COVID-19 pandemic continues. It's hard to put a stake in the ground as to where we'll be when this column appears in print – hopefully there's more stability than at the time of writing.

To better understand where we are, and where we might be in a couple of months, I polled the Board of Directors of the National Aircraft Finance Association (NAFA). The organization is an important partner to global aviation, reflecting that with a diverse membership and board.

The NAFA Board includes small, medium and large banks, leasing professionals, aviation attorneys, title and escrow professionals and aircraft manufacturers, among others.

Collectively we identified key changes and considerations within aviation finance right now. There are big issues that everyone is addressing – standards in lending, business activity, financing priorities and FAA changes. These are all evolving. And no one can say when we will shift back to “normal” with a “recovering economy”. Until then, this is what we're working with.

### On the Positive Side

Financial institutions are open for business, and interest rates have lowered across capital markets. There have also been significant draw-downs on credit facilities by clients to ensure they have the liquidity to endure at this time.

Liquidity is not unlimited though, and banks must also have a rate “floor” to operate with. Virtually all financial institutions are taking the stance of supporting clients first, but they're also funding new loans. Some are restricting lending to certain industries, including commercial aviation lending, reflecting a lack of near or long-term macroeconomic clarity.

Additional factors (like the impacts of COVID-19) are reviewed on a client by client basis, weighing industry or new risk concentrations. This may determine different structures in some cases.

The main question, for new loans or loan modifications, is how the business has been affected and the impact of further shutdowns. However, changes to underwriting standards are not under consideration at this point since the shutdown is viewed as temporary.

### A Large Part of the Solution

The consensus is that this appears to just be a ‘pause’. OEMs are seeing interest in new aircraft and remain focused on keeping production rolling, albeit at a slower pace. In addition, where the finance sector was the root of the 2018-2019 crisis, the finance industry now is a large part of the solution, as many of the stimulus packages are funded through the finance sector.

It does however take longer to close a loan. For example, the FAA's procedural changes quarantine physically submitted documents for 72 hours, which may be risky to lenders and priority of loans (with processing times for filing and recording delayed). FAA acceptance of digital signatures and electronic notary services is helping, but everyone is trying to navigate the potential bottleneck at the point of closing.

### BizAv to Accelerate Ahead of Recovery?

It's still too early to tell how much new business has been impacted. Some clients are delaying purchases until there's long-term economic clarity. However, there's a growing outlook, as evidenced by most recent activity, that business aviation may accelerate ahead of a recovery.

And while OEM activity may decrease, we're still seeing first-time buyer activity, and projected increases in charter, fractional and pre-owned sales as clients seek alternatives to airlines.

On the bright side, stores can now deliver wine with food, and maybe that's one thing we hope does not return to ‘normal’. In the meantime, consider using the services of our diverse NAFA membership, contact your financial institution for up-to-date information on your situation, and stay safe.

More information from [www.nafa.aero](http://www.nafa.aero) |

Jim Blessing is President of the National Aircraft Finance Association (NAFA) and Vice President of AirFleet Capital. He has spent his entire career working in the field of aviation, and is an experienced private pilot dedicated to helping others finance their own aircraft.