



Don't Let a Disconnected Lending Workflow Jeopardize Your Commercial Lending Business

Michael Fuchs





Michael Fuchs is director of Commercial Lending at Wolters Kluwer. He is focused on helping financial institutions grow their commercial lending portfolios through sound risk management and compliance practices.

- Joined Wolters Kluwer in 1998
- Founder of the Medici Commercial Lending Documentation System
- Juris doctorate from Harvard Law School

Agenda

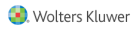
- Commercial Lending Industry Insights
- Overview: Commercial Lending Process
- A Better Way: The Future of Commercial Lending

Strategic Business Imperative

Commercial Lending is the best opportunity to grow profitably

- Why?**
- Higher rates with better margins
 - More fee income
 - Lock-in low cost deposits
 - Dodd Frank has little or no impact

- How?**
- Identify more opportunities
 - Close them more quickly
 - With fewer mistakes
 - Stay better connected with customers
 - Manage relationships



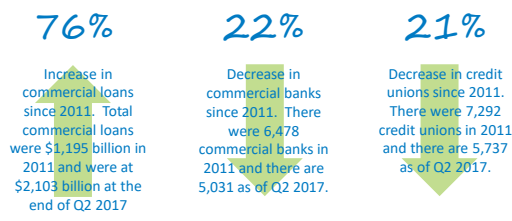
Your Portfolio

- Take a minute to introduce yourself to your neighbor
- Discuss your commercial lending portfolio:
 - Has it grown? If so—by what percentage?
 - What segments? C&I or CRE or both
 - Is it strategic?
 - Why?
- Identify one person from the table to report out. We should have time for a couple tables.



Commercial Lending Update

Commercial Lending dollars are up, institutions are down.



Source: Federal Reserve Data, NCUA data 6

Your Commercial Lending Process

Purpose built? Or pieced together?

- Is your Commercial Lending Process:
- Pieced together **using existing tools** that are not integrated?
 - Reliant on Excel and other tools to **fill gaps** in analysis and calculations in your current process?
 - Largely **manual**?
 - Easily **scalable**?

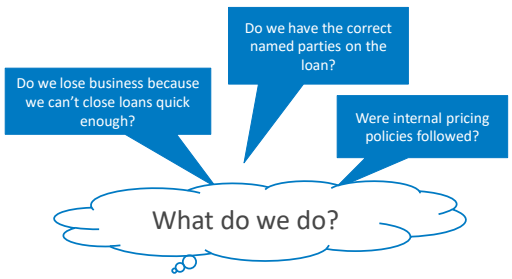
Commercial Lending is...Chaotic

Chaos is not scalable



Commercial Lending Update





A complex and chaotic process means more risk.



The Current Process is Risky

We've talked to a lot of people in Commercial Lending about their lending process and consistent themes have emerged.

Here's what we heard:

 <i>The current process is largely manual and contains redundancies and duplication.</i>	 <i>No direct line-of-sight into the status of a loan or ability to track progress.</i>	 <i>Use of multiple systems means that data may not be available when and where needed.</i>	 <i>No way to manage and measure performance.</i>
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Manual Processes Are Common



- Take 2-3 minutes to talk to your tablemates;
 - List out what manual steps you have in your organization
 - How many are there?
 - What problems do they lead to?
- Identify one person from the table to report out. We should have time for a couple tables.

Manual Processes are Error Prone



Manual processes, especially ones that are also paper based, pose compliance risks.

- Manual Processes are:
- Prone to error because often **data must be re-entered** in multiple systems
 - Susceptible to **lost or missing items**, especially when they are also paper-based

Errors have implications for banks and can raise safety & soundness issues and increase compliance risk.

And then those paper files go over to another department, they're not in my control, they're not in my hands and the contents of those paper files are now released into whomever is taking it over and I'm responsible for the contents of those paper files making their way into our imaging database, which is what our auditors look at.

Loan Operations Manager, Regional Bank

Bottom Line: The more errors in your process the more resources you have to spend resolving them.



Manual Process Errors Are Costly

Simple typos can be missed during the due diligence process with real consequences

In re: PTM Technologies, Inc., Debtor

- PTM Technologies, Inc. borrowed \$5.1 million
- Lender filed UCC against PTM Technologies, Inc.
- The "h" in "Technologies" was missing
- A search of the NC Secretary of State against "PTM Technologies, Inc." fails to find the financing statement using standard search criteria
- Non-standard search does reveal financing statement but NC law provides standard search must reveal the financing statement
- Bankruptcy trustee wins (Hypothetical Lien Creditor)
- Lender becomes unsecured creditor

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Manual Processes

Customer Voices

We don't have much automation; its on the desktop and it's almost all manual. We have so much, we have some tools, Cash is one. We have a mainframe ITI. We've introduced some imaging through ITI. But none of it is really integrated towards each other. But it all comes up on the desktop so that you have an entry screen just to go into everything. You have to go into everything individually today.

Senior Credit Administrator, Large Community Bank

We do also have a excel spreadsheet for applying a risk rating and we do that manually. We have two different risk ratings, one for Commercial Real Estate and one for just standard commercial deals not involving real estate.

Commercial Loan Servicing Specialist, Community Bank

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Manual Processes are Slow

Aggregating data from multiple systems into excel to complete calculations slows the process

Manual Processes are:

- Slow because data from multiple systems needs to be consolidated and **analyzed manually**
- **Tedious** and time consuming
- Unproductive because when updates are needed **time is spent tracking down where the loan is** in the process and who is working on it, rather than working to move the loan forward

Bottom Line: Slow processing time makes room for competition to win your business.



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The Current Process is Risky

The current process is largely manual and contains redundancies and duplication.

No direct line-of-sight into the status of a loan or ability to track progress.

Use of multiple systems means that data may not be available when and where needed.

No way to manage and measure performance.

Do You Have Clear Visibility Into Your Commercial Loan Process?

1. Take 2-3 minutes to discuss the following at your tables:
 - Where are there visibility problems in your workflow?
 - Who needs more visibility? When?
 - What problems does this lead to?
2. Identify someone at your table to summarize your discussion, we should have time for 2-3 tables.

Lack of Visibility into Commercial Loan Process

Customer Voices

*So every application that comes in a new opportunity is created. We take our paper file over to the underwriting queue and whoever picks up that file, I don't know if they picked it up. There's nothing telling me, this is now assigned to this person. I don't know what stage they're at with that. **I don't know if it's being approved and it's now been moved from one underwriter to up the chain of approvals for signature.** That file gets passed around and then returned to the underwriter, then returned to me.*

Loan Support Manager, Large Bank

So there's no way for a corporate lender to get a status update on their request anywhere in the process, really. And if they do they have to know do I go into this software, or this software.

Director of Loan Administration, Community Bank

Lack of Visibility Means Bad Customer Experience

Relationship managers can't manage expectations or respond promptly

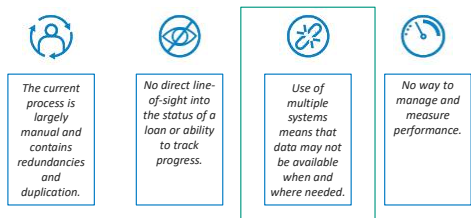
- No Line-of-Sight into the Loan Process means:
- Loan Officers **can't effectively set expectations** on how long the process will take
 - When clients ask for an update, Relationship Managers **can't respond immediately**—they have to track down the loan for a status update
 - Team Members can't accurately **manage their time as** they don't know when work will be assigned or due
 - Accurate **pipeline reporting is a challenge** because Relationship Managers can't see how individual loans are progressing

Bottom Line: In a competitive market good customer service is essential to staying competitive.



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The Current Process is Risky



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Where Does Your Data Reside?

1. Take 2-3 minutes at your tables to discuss the following:
 - List out where there is siloed data in your loan origination process
 - How many systems? Which ones?
 - What problems does this lead to?
2. Identify someone at your table to summarize your discussion, we should have time for 2-3 tables.

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Siloed Data

Customer Voices



The amount of software that we use, that doesn't talk to each other, makes the process slow down.
Director of Loan Administration, Regional Bank

I'm opening up that document and I'm in a separate document at the same time and I have to cut and paste this information here. Some of it automatically gets inputted onto here but most of the data doesn't. Then we cut and paste or replicate back into the spread sheet, that gives us the loan approval. Counting those between five or six steps that you are going back and forth. Every time you are doing that you are risking errors with different people handling the data.
Credit Analyst, Large Community Bank

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Siloed Data Means Slow Process

Use of multiple systems, not necessarily geared toward commercial lending, means having to find work-arounds.



Siloed Data means:

- **Not having access to the data** you need, where and when you need it. Data in different applications may be segmented into views that don't meet Commercial Lending needs
- To complete needed calculations **data needs to be exported** from multiple sources and then analyzed using Excel or other tools
- **Compiling data** for compliance analysis and portfolio management requires significant manual effort





Bottom Line: Slow processing time makes room for competition to win your business.



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The Current Process is Risky

 <p>The current process is largely manual and contains redundancies and duplication.</p>	 <p>No direct line-of-sight into the status of a loan or ability to track progress.</p>	 <p>Use of multiple systems means that data may not be available when and where needed.</p>	 <p>No way to manage and measure performance.</p>
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Can You Effectively Measure Performance?



1. Take 2-3 minutes at your tables and discuss the following:
 - How are you measuring performance today?
 - Do you have SLA's? What kind?
 - How do you track SLA's?
 - How would you improve your tracking?
 - What problems do you currently have measuring performance?
2. Identify one person to summarize your results.

No Way to Measure Performance



Customer Voices

We're absolutely in reactionary mode. My goal initially is to set up our process and procedures, standardize it so everyone knows what they should be doing. Then the second phase is how could we do it better.

Director of Loan Administration, Regional Bank

They've created a new incentive program for branch managers that manages performance. We send out this spreadsheet twice a week that report out to the regions, the dollar amount booked, and that goes off to our financial reporting area. This is a manual entry spreadsheet for performance management and it's an undo burden on the two of us maintaining the data manually within it to be able to track performance.

Loan Operations Admin, Large Community Bank


No Way To Measure Means Reactively Dealing with Issues



When you can't track and measure outcomes you can't be proactive

- When you can't measure and manage performance:
- You can't easily **identify and remedy bottlenecks** in your process
 - You can't **identify and share best** practices
 - You can't effectively **coach staff** when needed or **reward high performers**
 - You can't determine **which team members are overloaded** and which are available to complete tasks

Bottom Line: You spend your time fixing problems, not driving revenue.




No Way To Measure Means Manual Compliance Audits



How can you be sure your policies and procedures are being followed?

- When you can't measure and manage performance:
- Ensuring **compliance with internal policies and procedures**—especially around safety and soundness—is difficult
 - This difficulty is compounded when different **loan types require different policies and procedures.**

Bottom Line: Relying on manual compliance audits means uncovering problems when its too late.



The Status Quo is Not Sustainable

The complexity of commercial lending makes it difficult to scale and grow.



- | | | | |
|---|---|--|---|
| <p>Manual processes are prone to error which opens you up to risk and slow you down, putting you at a competitive disadvantage.</p> | <p>Without visibility into the process you can't proactively improve processes but instead have to react to issues as they arise.</p> | <p>Data isn't available where and when you need it meaning work-arounds have to be created which adds redundancy and time.</p> | <p>When you can't measure and manage performance you can't implement best practices or provide coaching where needed.</p> |
|---|---|--|---|

 There's a better way.

Automated Workflow Brings Order to Chaos

Implementing an automated workflow solution will modernize your process.

- What is an automated Workflow Solution?
- **Centralized digital platform** for organizing and monitoring the origination workflow
 - Customizable so you can **configure workflow processes** that meet your business needs
 - **Automates task progression** including delivery of activity alerts to users
 - **Accessible** from a variety of device types, from smartphones to laptops
- With an automated workflow solution designed for commercial lending you can:
- Secure loans consistent with your institution's credit policies
 - Gain a competitive advantage
 - Ensure compliance

Bottom Line: Mitigate operational, legal and business risks while maximizing production.



Workflow Solutions Keeps Your Loans Moving Forward



By removing steps that manual you can close more loans quicker—with less risk of error.

- An automated workflow solution reduces manual effort:
 - **Build compliance into the process** by defining your workflows based on the needs of different types of loans and bank policy
 - Create tasks, including **prerequisites for each task** as well as the order of completion to reduce sending work back to the previous step
 - Automatic task progression functionality means that when all the prerequisites of a task are completed the **workflow automatically continues** without manual intervention
 - Automatic notifications help **meet deadlines** and make sure tasks don't slip through the cracks
 - Enable your teams to act by **building credit policy exceptions** into the process

Workflow Solutions Provide Visibility to the Whole Process



New insight will allow you to better manage the process and allocate resources.

- Visibility into the loan process means you can:
 - See the status of total work in process and **understand if SLAs are being met**.
 - See what loans are at various stages to have a **more accurate pipeline**
 - Better understand **performance to goals**
 - Understand how much work a group or individual has at one time to **better manage resources**
 - See where the loan is, who has it, and the timeline which will give you **greater accountability**

Workflow Solutions Give Access to Data Where & When Needed



Having the right data at your fingertips, rather than in multiple sources, will reduce process drag.

- Access to data where and when you need it means:
 - You can **free your data** from their silos and stop exporting and consolidating data manually
 - You can **eliminate the paper chase** by linking associated documents and reports to a loan request as it flows through the process
 - You can **reduce redundancies** caused by needing to enter the same data multiple times

Workflow Solutions Allow You to Measure & Manage Performance

Which means you can proactively improve your process.

Being able to measure and manage performance means you can:

- **Gain back time** spent manually tracking and reporting
- Understand **overall process performance**
- Learn how long each step in the process is taking to **identify areas for improvement**
- Have a clear view of how individual team members are performing so you can **provide coaching** when needed and **reward high performers**
- Study the total performance output of a division, group or individual over a specific time-frame to **inform resource allocation**



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Workflow Brings Order to Chaos

By listening to our customers and solving for problems they identified we've created CASH Workflow, a tool that solves the pain points a chaotic process creates.



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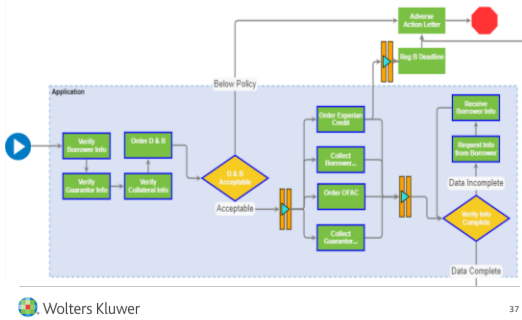
An Intuitive Dashboard Systemizes Work

And makes sure nothing slips through the cracks.



Configurable Processes

Design loan workflow according to internal policies and procedures.



Want to learn more?

Ask about CASH Workflow at the Wolters Kluwer booth.

Here when you need us.



Visit our Support site for documentation, downloads and product information
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Questions?

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