

Smart Processes For Commercial Lending

"Accelerating loan processing while COVID-19 forces remote working"

Banks had been perfecting their continuity planning over decades, having survived numerous exigent situations. Then the 2020 pandemic happened and challenged every assumption that may have gone into business planning. The much-needed Government CARE Act and PPP actions to bolster families and businesses have added tremendous processing volumes throughout the banking system. While this article focuses on commercial lending, these recommendations also apply to many other banking operations, such as retail mortgage processing, which has also seen an increase in refinancing applications.

Most banks are addressing the current situation by adding temporary loan analysts and staff in a distributed work-from-home environment.

This is an understandable approach for scaling operations. However, remote working adds challenges that operations teams need to address to:

- ▶ Ensure dynamic transaction assignment amongst a distributed team, some of whom may be facing connectivity issues
- ▶ Manage quality assurance, escalation and approvals
- ▶ Hire, onboard and properly train and support staff to overcome inexperience with the bank's procedures
- ▶ Secure and protect PII data, which is an essential part of any loan processing operation

The current approach has not worked well and may have severe future implications for regional banks. Key factors include:

- ▶ Fund allocations in the first PPP round went mostly to larger businesses or those with relationships with the largest banks. This is a serious risk to regional banks who rely heavily upon their small business relationships
- ▶ Loan processing response times have worsened due to the sudden increase in volume, constraining mid-sized business customers
- ▶ Banks that offer retail mortgage services are missing an opportunity to increase revenues while many competitors have had to delay retail mortgage application processing by 90 days or more

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Ways banks can scale up in near-immediate timeframes to increase throughput while ensuring quality and security

1. Automate Commercial Loans Processing with Artificial Intelligence

Most lenders use a loan management platform, such as Loan IQ, to process commercial loans. However, significant amounts of manually intensive work is still needed which diminishes analyst productivity and makes the process more error-prone. Here are three areas that can be easily automated within short timeframes to significantly increase the throughput for lending operations:

- ▶ **Loan Booking Process:** Automate information extraction from the loan agreement and its subsequent amendments. Proven solutions that use Artificial Intelligence (AI) and Machine Learning (ML) can be implemented in tandem with supplemental staff hiring without increasing risks. This will result in a significant throughput gain.
- ▶ **Loan Model Attributes:** Most banks use a spreadsheet-based model to capture key elements to feed into their loan processing platform. This can be completely automated, with the ability for expert manual reviews, to substantially increase efficiency.
- ▶ **Funding Requests and Drawdowns:** For committed loans, the current process typically involves receiving and manually validating various communications, such as emails and faxes, from borrowers that span diverse funding events. This process is also suitable for automation using AI and Natural Language Processing (NLP) techniques.

2. Hire Smart Loan Analysts

You can hire temporary loan analysts from a staff augmentation firm, which usually entails paying a premium for sub-optimal resources and increased operational complexity in the current remote working situation. Instead, we recommend that you work with a partner who:

- ▶ Collaborates with you to hire and efficiently onboard smart people on your specific processes and procedures
- ▶ Provides senior leadership to support your management team and monitors team performance, quality and security
- ▶ Proactively apply performance metrics to ensure continuous productivity improvement
- ▶ Shares expertise and innovative ideas for future consideration as you continue your journey towards operational excellence

3. Faster, Meaningful Modernization

This is a time for fast and smart actions.

There are available technologies that will quickly augment banks' proven, existing processes, providing rocket-fuel to boost throughput, and increase customer satisfaction and trust. The larger banks have already deployed these relatively inexpensive solutions that do not require a long-term commitment, increase risks or compromise security and quality.

This is an opportunity for regional banks to shine and turn the current challenges into a competitive advantage.

Our banking automation specialists will provide insights and value-additive expertise to innovate for operational excellence.

Contact us to learn more at info@haystream.com or +1.646.450.3025