Market Commentary

Busting the Loan IQ myth

Fragmented system landscapes are at the heart of many of the challenges that banks experience. Simplifying system landscapes can provide a number of benefits in the process.

"Today, the idea that Fusion Loan IQ is just for complex commercial lending is a myth. Instead, the platform has evolved into the foundation for highly efficient consolidated lending operations."

Finastra's flagship lending platform Fusion Loan IQ is famed for its ability to manage complex syndicated loans. So much so, that some in the market think that's all it can do. But that's a myth: Fusion Loan IQ has evolved to handle high-volume lending, too.

In fact, today, it can be the platform for a financial institution to consolidate its entire lending business, from complex corporate loans to high-volume small business lending.

This supports the trend we're seeing for banks to rationalize the infrastructure that supports the lending operation in an attempt to reduce complexity, cost and risk.

So what are the key considerations when assessing whether or not a lending system can handle high-volume lending? Whilst there are many, I believe it boils down to five key areas, all of which are supported by Fusion Loan IQ.

About the author

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As Global Solution Lead for Lending at Finastra, Christopher Papathanassi is responsible for the overall line of business within the field, and works cross functionally to provide support with; deal execution, validation and execution of go to market activity, product strategy and bringing thought leadership to the market . With over 14 years' in the industry, he is an experienced commercial lending specialist.

Prior to his current role he worked on the bank side where he held a variety of roles within lending, both on the business and change management side. He holds a Bachelor's Degree in Business Management from Bournemouth University.

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The 5 key considerations when assessing whether a lending system can handle high-volume lending

Streamlined on-boarding

High-volume lending is all about time to cash, and banks are keenly focused on streamlining the origination process up to the booking of the loan. With APIs and product templates that simplify the process and ensure Straight Through Processing once a loan is approved, Fusion Loan IQ offers the automation that's needed to deal with on-boarding.

Low/no-touch servicing

With high-volume loans, management needs to be by exception only, with the day-to-day servicing running on autopilot. We've built capability into Fusion Loan IQ so it can fully automate loan servicing: right now, we have clients servicing hundreds of thousands of loans with a completely zero-touch approach.

Payment processing

Payments can be more complex with high-volume lending. Systems need to be able to handle direct debit style payments, as well as real-time cash reconciliation to determine if the account being debited has available funds. Fusion Loan IQ provides the tools needed for the timely delivery of payment details and the validation of available funds.

Past due management

With large loan portfolios running into the tens and hundreds of thousands, a default from just a small percentage of borrowers can be both labor-intensive and risky to manage. Fusion Loan IQ's past due management module maximizes automation, allowing for penalty interest rules to be defined for specific products. This drives the automated change in status, penalty interest calculations and accounting treatment.

Collateral management

It's more likely that loans in high-volume portfolios will be secured against assets such as real estate. Efficient lending systems therefore need to be able to capture the details associated with the asset or security, and take care of related activity such as valuation, releasing, and compliance and document management. Fusion Loan IQ's collateral management function can take care of all of this.

Handling the trend towards bespoke high-volume loans

Today, we're seeing elements of complexity creep into higher-volume/lower-value loan contracts. In certain areas, loans are becoming more bespoke and less 'productized', which Fusion Loan IQ's ability to manage elements such as credit lines, certain fee calculations and non-standard pricing is ideally suited to. With the flexibility to book virtually any type of credit structure, Fusion Loan IQ offers a strong foundation for a bank's entire lending operation.

In step with lending consolidation

As we have evolved Fusion Loan IQ to manage high-volume lending, we've seen customers migrate more and more of their portfolios to take advantage of the automation it offers, with some banks servicing in excess of 300,000 loans on the system. In some cases, the silo nature of commercial and corporate banking operations makes it hard for banks to consolidate onto a single system.

However, many banks are taking this step and restructuring lending operations under a single head, which is driving consolidation and spurring the adoption of Fusion Loan IQ across the entire lending line of business.

Future-proof investment

There's value in lending consolidation beyond internal efficiencies, too. With a single lending system, banks can adapt more quickly to external changes, such as the shift away from the LIBOR benchmark that's creating so much disruption in the financial sector. Using a single solution can dramatically reduce the effort involved in adapting multiple lending businesses to regulatory or market driven change, future-proofing the bank's investment in its lending system.

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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at **finastra.com**

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