MARKET COMMENTARY

Solid Foundations Lead to Successful Programs:

Commercial lending is being driven by multiple forces in today's market, including increasing competition, shifting customer expectations, and the scope of regulation and enforcement.

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Customers expect digital capabilities, transparency and fast turnaround. Regulators expect more transparency and regulatory reporting. A recent CEB study reflects that more than 40% of commercial banking executives plan to increase spending over the next 12 months as a direct result of regulatory changes.

Investments traditionally have been made to more customer facing initiatives, such as mobile banking and bank to business integration, while commercial credit platforms have been left to operate independently of other financial technology. In order to meet customer expectations and compete in today's market and facilitate new lending growth with accuracy and speed, financial institutions are now making significant investments in commercial loan origination solutions and process automation. A recent McKinsey report finds that financial institutions achieve a 50% improvement in productivity and customer service by automating the lending experience. As part of these initiatives, the integration of commercial credit solutions with other bank technologies and data is a key driver in achieving scale, competitiveness, cost reduction, and a better customer experience.

A Sound Foundation

As these investments and gains are realized, financial institutions are now experiencing the tangible results of technology investment. The fast-paced digitalization of the marketplace and desire to remain competitive require a sounds foundation for growth be in place. Coupled with instilling a culture of transformation this forward looking focus toward next level gains is obtained by embracing a shorter, more iterative planning horizon thereby ensuring a path forward for success. This phased approach to technology investment drives positive results in speed, ease of use, and operational efficiencies from origination to close while retaining sound underwriting method and risk management.

Questions that need to be asked to build on successful technology investments:

1. Does it fit our current strategy?
2. What are the core benchmarks for the foundation plan?
3. When we meet our goal, what is our operational leverage?
4. What is the complexity/risk profile of the project?
5. What is the NPV Decision Tree Outcome – Risk Adjusted ROI?

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