Mortgages

Lending Clarity from the Cloud

April 2009 | John Adams

Community First Bank was initially attracted to Web -based loan automation as way to allow loan processing and reporting to escape the bottlenecks of spreadsheet town. The side benefits of automated and standardized cross sell and CRM have made its executives true believers.

"We initially just wanted to do a quick-and-dirty pipeline program," says Rita Hermann, vp of credit administration for the $560 million-asset Community First Bank in northern Arkansas. Instead, the bank deployed an enterprise-wide loan automation platform that not only tracks loans, but engenders a cross-departmental array of customer-facing, data-driven functions from a single system. "Management can click on a button and see what everyone is doing with a customer, rather than using email or a telephone to exchange information," Hermann says.

While not linking the deployment to an increase in lending volume, Hermann says the bank is now able to track processing and provide single click electronic pipeline reports to management in minutes, efforts that used to take days.

The twist is that the platform does the work in the cloud, utilizing a Web-enabled suite of scalable technology resources provided as a service by Louisville, KY-based LendingCycle. Many smaller banks with lean IT benches and budgets are using Web services to add functions, centralize data management, allow for increased remote access for CSRs and loan officers, reduce software overhead and cut maintenance costs and tasks.

"These banks are going to have a limited IT shop and their core technology capabilities are going to be limited," says Rodney Nelsestuen, a research director for TowerGroup in Minneapolis.

At Community First, the underlying technology is leased from LendingCycle, which hopes the demand for quick-deploying lower cost solutions will place the vendor on the good side of the economic storm. LendingCycle is attempting to carve a small-to-mid bank niche while battling for share against entrenched processing providers like Fiserv and Jack Henry that are making their own early inroads into deploying software-as-a-service in the pre-loan closing tech space, and newer cloud computing-focused firms like SalesForce.com.

"The community bank space is a good spot. There's an immediate need, and it typically takes less time to implement at a community bank," says John Jackson, president and CEO of LendingCycle, a year-old firm which has four regional banks and 20 community banks on its client roster.

LendingCycle works by allowing lenders to enter and track projects remotely by accessing online. At the same time, loan processors leverage the system to collect missing items or loan information, managers view presorted real time reports and senior executives peruse dashboards with single click views of advanced funding reports, lender productivity analysis and pipelines. And since all of this information is standardized and accessible to all employees

based on job function parameters, it can be used to improve customer service or refer customers to sales reps as candidates for additional products or even relationship building - customer's birthdays, for example, are accessible data and can be used as part of a marketing message.

The firm, which approaches clients by assessing redundancies in processing and labor costs, charges a monthly fee tied to a bank's asset size; the fee allows for unlimited staff usage and doesn't change as the bank adds functionality. A bank with about $200 million in assets pays about $299 per month, while a large regional pays about $6,000 per month. Jackson says most customers pay about $900 per month.

Dawn Everett, svp and compliance officer for the $70 million Landmark Community Bank in Memphis, says the system has allowed Landmark to replace at least three legacy software systems: a workflow system which tracked loan processing documents; a second platform that tracked exceptions and discrepancies and a third tickler system that filed documents such as financial statements and tax returns of borrowers.

Everett would not give exact dollar amounts for what it paid for these systems, but said they cost about $10,000 each in upfront fees, not including charges of up to $150 per hour for upgrades or support. She also says the new system, which the bank has just deployed, should provide intangible benefits due to enterprise-wide standardization and automated tracking of loan reporting and sales staff follow through on cross sell referrals. "We'll be able to make sure nobody's dropping the ball," she says.