

Accelerating Small Business Lending

Automating the Front Office for Commercial Finance



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Small business lending has become a significant focus area and revenue opportunity across the banking industry. The nearly \$500 billion in small business loans across the US represents about one-third of the commercial finance market. While offering much higher margins, small business lending has typically received the lowest level of investment in systems and automation.

Small Business Has Lagged Behind

Small business lending has been caught between its two larger siblings — retail and commercial. Business lending relationships are just more complex and as a result, retail application, credit and documentation systems do not support the business bureau, principal/guarantor, financial analysis and other front office processing essential to business lending. Small business lending is also a high volume operation, and traditional commercial systems do not support the scoring, decisioning and workflow management required for efficient application processing.

Most small business lending and credit groups have cobbled together systems and operations borrowed from both retail and commercial environments. The result has been limited automation, manual paper shuffling and duplicate data entry that creates inefficiencies, causes errors, delays processing and increases risk. And while banks struggle to automate, small businesses are becoming more demanding and expecting instant decisions and same-day access to funds.

Industry Leaders Pulling Ahead

Our recent Small Business Lending Survey uncovered a significant disparity between small business lending organizations (request your copy of the report below). For example, the top 25 percent provides credit decisions up to \$250K in less than 1½ days and frequently during initial contact. The bottom 25 percent takes

from three weeks to 1½ months. As a small business owner, which bank would you do business with?

What distinguishes small business lending operations in terms of responsiveness, growth and profitability is the level of front office automation. Leaders are combining web, call center, application, credit, documentation and workflow processing into a common front office platform. This platform integrates systems that manage commercial relationships and automates front office processing across all channels, functions, divisions and products. Relationship managers, branch or call center personnel, contract/documentation managers, management and other front office personnel along with clients, partners and service providers can collaborate effectively with one access point to gather and review information they need. Credit decisions can be immediate when all information is available or routed automatically to the appropriate person for review.

Front Office Automation Addresses Industry Challenges

The Small Business Lending Survey conducted by CapitalStream and Fair Isaac reveals the top three challenges facing the industry:

- Grow application volume, portfolio size and market share
- Enhance systems, automation and integration
- Improve processing efficiency in origination and underwriting

To address these critical issues, CapitalStream provides a complete financial front office automation solution called FinanceCenter, enabling banks and other finance companies to transform inefficient, paper-based operations into inte-

grated, streamlined commercial finance supply chains.

FinanceCenter Provides Complete Front Office Platform

FinanceCenter streamlines application processing, deal structuring, credit analysis and document generation to rapidly originate loans, lines, leases, cards and other commercial finance transactions. Rather than force banks to replace current financial systems, FinanceCenter's configurable gateways tie into current systems to seamlessly pass information back and forth. FinanceCenter is a completely configurable web-based solution, tailored to each bank's unique business process and installed behind the bank's firewall or hosted at CapitalStream's data centers. FinanceCenter also supports the entire commercial finance portfolio including equipment leasing and mid-market lending, and can integrate with a variety of banking systems to provide a complete view of the commercial relationship.

Banks have never been under more pressure to accelerate and automate — handling more transactions more quickly by increasing efficiency, enforcing consistency and minimizing risk. This is CapitalStream's vision — to enable financial institutions to better manage credit risk, shorten processing times, reduce costs, and grow revenue. Our customers have more than doubled transaction throughput with no increase in headcount — achieving returns on investment in excess of 100 percent with payback in less than one year. ■

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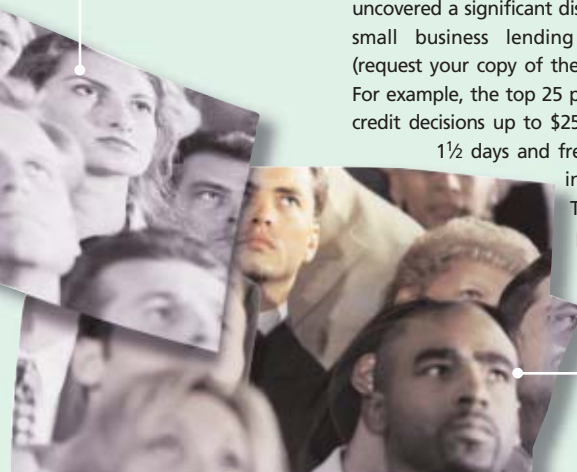
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(For more information, visit CapitalStream's Web site at www.capitalstream.com. To request the Small Business Lending Survey Report, visit our website or send an email to survey@capitalstream.com)