

# Microbanker BANKING TECHNOLOGY STRATEGIES

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*"...we still met or exceeded our service standards throughout the campaign."*

## **Bank of the West Streamlines Commercial Lending**

By Mary Norton-Miller

*Bank of the West (\$27 billion), San Francisco, CA has undertaken an aggressive expansion campaign as evidenced by their branch network growth from 40 branches twenty years ago to some 300 branches today. Rapid growth forced the need for scalable online business finance origination at the branch level. Customer service objectives focused on how to increase efficiencies and shorten processing times for loans and lines of credit.*

Implementation of CapitalStream's FinanceCenter, a financial front office automation solution was completed in May 2002 at Bank of the West BusinessLink Unit. Offered in two delivery models, installed or hosted, Bank of the West selected a hosted solution because it provides access to cutting edge technology and capacity without straining internal resources.

FinanceCenter is currently used for all BusinessLink commercial credit transactions, mainly for small and medium-sized businesses. Types of loans and lines serviced by BusinessLink include unsecured and secured revolving lines of credit, term loans, and real estate secured term loans (mini-perm), in addition to underwriting commercial credit cards and ACH exposure.

### **Application Volume Up/Transaction Cost Down**

"First half 2003 application volume (June) is up 64% compared to the same period last year," reports Debbie Fournier, Senior Vice President, BusinessLink at Bank of the West. "Headcount is reduced 25% from the same time last year and transaction cost is reduced by 30%."

CapitalStream states that many FinanceCenter users have more than doubled transaction throughput with no increase in headcount.

Debbie adds, "We held a loan campaign in Q4 2002 which included newly acquired United California Bank branches. Application volume for Q4 2002 was approximately 175% above Q4 2001 levels. While underwriter headcount was up only 83% over the same period due to new staff from UCB, we still met or exceeded our service standards throughout the campaign."

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The application turnaround time for a decision on small dollar requests has been reduced from two business days to within two hours – improving the bank’s service level agreement with its branches. These requests account for approximately 65% of total volume.

“Decisioning a credit request now takes less than one day, assuming that a full package is received,” says Debbie. “Obtaining customer acceptance of rates/terms approved, satisfying approval conditions, ordering loan documents, coordinating customer execution and funding a loan can add additional time to the process.”

## Cost Benefits Exceed Expectation

FinanceCenter is integrated throughout the unit’s credit process – branch (customer) notifications of status changes are automated, document orders pre-fill with customer information, and error rates on document orders have declined from a high of 75% under a manual process to 5% today.

*“...the cost benefits actually exceeded the high threshold expectation set by executive management.”*

“In addition to conversion benefits, FinanceCenter enabled us to integrate three sites into one workflow and shift work based on available capacity. Service and support functions are terrific,” reports Debbie. “The implementation of FinanceCenter represents a paradigm shift for the bank in many ways. It was an important component in enhancing the perception of the department to one that is customer focused and branch friendly. Communication between back office business partners focused on how to best process applications on FinanceCenter carried over to identifying efficiencies in non-FinanceCenter tasks. Last and most important, the cost benefits actually exceeded the high threshold expectation set by executive management.”

## Benefits

- Reduce credit risk.
- Streamline processes.
- Track quotes and generate reports.
- Integrate systems to create a single point of access.
- Go quickly to market with new credit management products.
- Leverage and strengthen the bank brand through private labeling.

“Changes can be implemented quickly because we control the configuration,” explains Debbie. “The only

constraint is the time/coordination required to train new user groups. We are better able to support unique offerings such as special campaign pricing.”

The bank’s portfolio has historically performed very well and continues to exceed expectations. Reporting has provided the ability for better monitoring and review of policy and guideline expectations.

## System Reengineering

“We used conversion as an opportunity to redesign our entire process rather than simply automate our prior process,” states Debbie. “As a result, we revised a number of tasks that had been part of our original procedure. Documenting our new process was the most time consuming part of the project, but the most valuable as it forced us to question each step and allowed us to eliminate redundant practices.”

The bank was able to add the nearly 100 branches acquired with their United California Bank acquisition last summer in record time. BusinessLink was one of the first groups to complete their conversion tasks. They have designed their application to also function as a training tool, making it more readily accepted by new users.

## How FinanceCenter Works

Each branch logs into FinanceCenter on Bank of the West’s intranet to submit applications, download supplementary materials, and check on the status of existing applications.

1. An application for each product offering is completed and submitted electronically by branch personnel or web application, call center, equipment vendor, etc.
2. Automated Credit Workflow takes over.
3. Credit data is requested based on rules configured by the bank.
4. The transaction is assigned to an underwriter for review based on the application and credit data.
5. Notification is sent to branches via email as the transaction progresses through the process.
6. Near real-time reports can be generated on all financing activities.
7. The entire process routinely takes less than a full business day. Credit decisions can be immediate when all information is available or routed automatically to the appropriate person for review.

Typically, business rules determine who is in the flow of the application. Risk-based or product line workflows can be created. Credit rules can be reconfigured as needed and groups at various levels have views restricted to just the pieces of the process required to support their function. Bank of the West finds their only constraints are prioritizing their own resource allocation and the ability to map out the rule set. "The tool is reasonably straightforward," says Debbie.

The bank uses a reporting database to design and produce their production reports. "Having access to improved management information was a key element of our decision to migrate to this type of application software," says Debbie. "FinanceCenter has created an

integrated communication tool, which captures correspondence among the various users – branch sales reps, centralized underwriting staff, documentation team and loan servicing function."

Debbie adds that she recommends CapitalStream and FinanceCenter all the time. The solution is being expanded to other divisions within the bank, beginning with the SBA Lending Group by Fall 2003.

*Bank of the West, founded in 1874, is headquartered in San Francisco, CA. With some 300 branches, almost 400 ATMs and growing, the bank serves business and individuals in California, Oregon, New Mexico, Nevada, Washington and Idaho. You can visit them at [www.bankofthewest.com](http://www.bankofthewest.com).*

### About CapitalStream

CapitalStream, based in Seattle, Washington and founded in 1995, develops financial front office automation solutions to transform paper-based, stand-alone operations into integrated, streamlined finance supply chains. You can find out more at [www.capitalstream.com](http://www.capitalstream.com).

#### About FinanceCenter

FinanceCenter is a business finance automation platform that enables the financial front office to enter, maintain and analyze all customer, contract and credit information instantly, using a browser.

Relationship managers, product specialists, credit analysts, branch personnel, call center personnel, customer service representatives, and operations personnel work together using FinanceCenter to create closer relationships and process applications more quickly. The platform integrates a network of business systems, databases and information into a single solution.

The completely configurable web-based solution streamlines application processing, deal structuring, credit analysis and document generation to rapidly originate leases, loans, lines and cards. Configurable gateways tie into current systems to seamlessly exchange information and integrate with a variety of banking systems to provide a complete view of the commercial relationship.

Tailored to each bank's unique business process, FinanceCenter supports small business lending, equipment finance and commercial lending operations to streamline operations, reduce risk and achieve significant revenue growth.

#### FinanceCenter Components

- Origination – Automates the entire origination

process including data gathering, pricing, quotation, credit approval and documentation.

- Workflow – Manages any process and adapts to any business to execute credit lines, loans, leases, cards and other commercial finance transactions across different divisions.
- Gateways – Enable access to customer, exposure, rate, credit history, asset, balance, transaction and other information from any system.
- InfoCenter – Advanced analytics and graphs that monitor and analyze Key Performance Indicators (KPI).

Origination, Workflow, and Gateways are generally included with each implementation, while InfoCenter is an optional add-on component.

InfoCenter KPIs are updated and presented numerically and graphically over the web, and additional KPIs are easily configured. Information can be presented at a portfolio level and individual customer level. In addition to standard reports, InfoCenter provides reports with 'Drill-down' capabilities. This allows users with proper security to execute one report that then links to several sub reports.

The product is offered in two delivery models – installed or hosted in the CapitalStream DataCenter. Bank of the West is using a hosted solution. There are two data centers with one functioning as 100% backup. The majority of customers use the solution in a hosted model. "The fastest growing segment of our market is installed solutions – customers license the software and configure it to their own needs on their hardware behind their firewall," says Mike Pennell, VP Product and Marketing, CapitalStream.

"CapitalStream research has shown that data integration and aggregation of disparate, back-end,

legacy systems as well as public data sources is one of the key needs of organizations,” states Mike. CapitalStream has identified the common information required from different banking systems. Each data element has been built into a configurable XML based API that allows for the rapid integration of data from any external system into the front office - providing a single application view.

FinanceCenter is offered on an outsourced basis, or can be licensed to reside inside your firewall. It operates on Windows NT or Linux, WebSphere, Apache and Oracle. Workstations use browsers to interface with the application.

Contact Karen Thorsen, pr/marketing,  
CapitalStream, 501 North 34th Street, Seattle, WA  
98103 (206/548-1703 or [www.capitalstream.com](http://www.capitalstream.com)).

