INTRODUCTION:

Building a business case for most software purchases can feel like a daunting task. The process of identifying business needs, evaluating vendors, considering a buy-vs-build perspective, and calculating ROI while considering other factors as well can seem like an overwhelming challenge. Additionally, the process of translating all this information into a persuasive business case is often a new or unfamiliar endeavor for a Loan Review Manager.

At DiCOM, we understand how difficult this process can be. The good news is, we have helped many clients develop a strong and ultimately successful business case for CQS. There are several common factors that have a strong correlation to a successful business case.   This document outlines these factors which designed to empower you to build a strong business case to acquire the tools needed to optimize your loan review function. These factors include:

1. Return on Investment (ROI) isn't just about efficiency gains
2. It's rarely cheaper or faster to internally develop a system
3. Illustrate the risks of doing nothing
4. Hiring headcount just masks inefficiencies
5. Don't understate the advantages of being part of a user community

1. CALCULATING ROI

Most DiCOM clients report a 20% efficiency gain in their loan review process after implementing the CQS Loan Review Module. This is a great place to start, but the greatest impact on ROI is often associated with what can be accomplished with the additional efficiencies. Some of the other areas of business value include:

* Increased penetration leads to improved risk identification
* Better access to data and deeper analysis drives more impactful findings
* Improved summary reports to executives and board members
* Smoother regulatory exams

2. INTERNALLY DEVELOPED SYSTEM

According to the 2017 DiCOM Industry Benchmark Survey, only 17% of banks are using some form of custom-built loan review system. However, many DiCOM clients evaluated an internally-developed system before ultimately making the decision to acquire CQS. The cost associated with the typical multi-year effort to develop a custom based system is usually far more expensive than the cost to acquire CQS. Furthermore, CQS can be implemented in a fraction of the time which means your organization can start achieving an ROI much sooner. In some occasions, CQS has been implemented to replace an aging system that was developed years prior and has become technically obsolete and unstable over time. This illustrates the often-underestimated challenge of maintaining internally developed software.

3.   THE RISK OF DOING NOTHING

At the beginning of any evaluation, DiCOM works with the prospective client to uncover the business drivers and primary pain-points leading up to the evaluation of CQS. These pain-points are often process inefficiencies and error-prone activities, such as:

- Manual data entry throughout the loan review process
- Dissatisfaction with reports and the reporting process
- Disorganized or non-standardized loan review workflow

All the above can impact credit quality and ultimately the organizations Return on Risk. While it's difficult to monetize, there is a clear and significant impact to the bottom line which should be noted in the business case.

4.   THE QUESTION OF HEADCOUNT

As a business encounters organic growth, the need for additional personal is a necessary byproduct. However, more efficient organizations are more scalable and require less additional headcount to accommodate the same amount of organic growth as a less efficient organization.

Ultimately, it's not a question of hiring headcount instead of a system purchase. Rather, it's a question of leveraging a system to get the most out of your department's personnel.

> *"The bank has grown tremendously over the past several years but our staff has remained the same. We are much more efficient." - FROST BANK*

5.   THE BENEFITS OF A USER COMMUNITY

A business is always in pursuit of continuous improvement and often hires talent based on direct experience solving challenges presented to the organization. DiCOM clients have a distinct advantage of being part of a larger "talent pool." Customers have access to one another for understanding best practices, identifying emerging risk factors, and even learning unique ways to better leverage CQS to improve business processes.

CONCLUSION

While there is no guaranteed formula for developing a perfect business case, the above information is meant to communicate a high-level approach to help add focus and clarity. DiCOM personnel will partner with your organization to help articulate a business case that is custom-tailored to the needs of your organization.

ABOUT DICOM:

Established in 1999, DiCOM Software is the leading provider of automated credit risk management systems in the marketplace today. DiCOM's clients consist of large and small banks, credit unions, and third-party loan review providers. These clients all chose CQS because they wanted a comprehensive solution to dramatically improve their ability to manage credit risk for their organizations and stakeholders.

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