



CASE STUDY: KEY TRENDS IN LOAN REVIEW AND THE BUSINESS CASE FOR CQS

INTRODUCTION

Each year, DiCOM conducts an extensive survey of the loan review industry. The survey results are referenced against other DiCOM industry touchpoints to create a holistic view of key trends and issues facing loan review. This year a few actionable trends were identified which are holding back many loan review organizations. The good news is these challenges can be largely mitigated by using DiCOM's Credit Quality Solution (CQS). This case study will focus on the following trends:

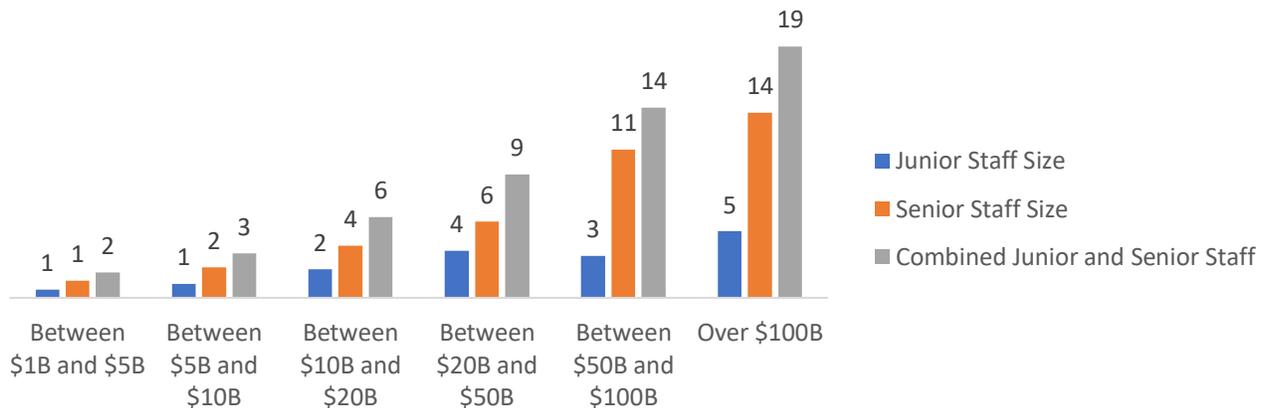
1. Difficulty hiring and onboarding new loan review staff
2. Remote work environments make collaboration more difficult
3. Acquisition Due Diligence has become a core responsibility of most loan review organizations

DIFFICULTY HIRING AND ONBOARDING NEW LOAN REVIEW STAFF

THE CHALLENGE

Most organizations report they have difficulty attracting and keeping new loan review staff members. This is compounded by the aging out of the existing workforce which is made up largely of long-time senior-level employees (as referenced below).

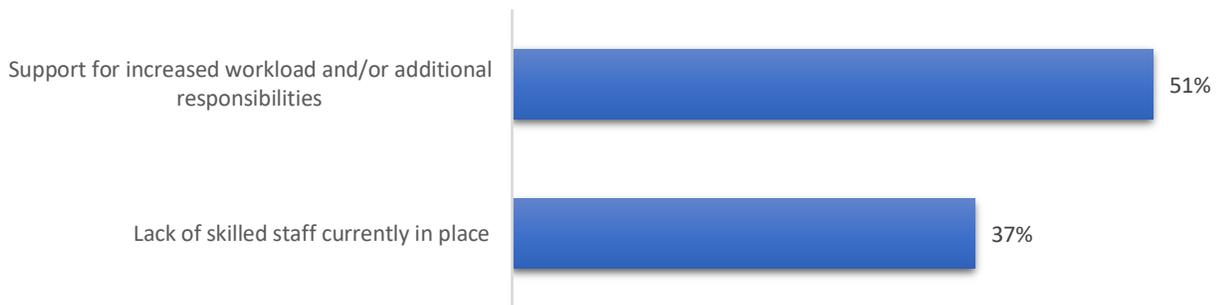
Loan Review Employees at Each Staff Level Segemented by Bank Size



While most banks over \$1B in assets indicate they are reliant on internal dedicated resources to fulfill their loan review needs, approximately 35% of banks are leveraging external third parties for support. Increased workload and a shortage of talent are the top two primary reasons banks are looking outside of their organization. In fact, many banks state that both of these factors exacerbate the challenges they face.



Top 2 Reasons Banks Seek Outside Support for Loan Review



THE SOLUTION:

While automation cannot solve the talent shortage in loan review, DiCOM’s CQS can help you optimize your process so you can get the most out of your existing resources. As a general rule, it is more cost effective to optimize existing processes before spending finite budget dollars on additional resources. Additional resources or outsourcing may not be necessary if significant efficiencies can be gained through technology. CQS can allow you to add significant efficiencies and elevate your capabilities for a fraction of the cost of an additional resources and/or headcount. Specifically, CQS can allow your organization to:

- Eliminate tedious manual effort, freeing up your resources to focus on high value work
- Improve review consistency reducing back and forth and process waste
- Streamline interactions between team members and other departments
- Achieve a cost savings when compared to additional resources or outsourcing
- More accurately assess resource needs

MORE DEPARTMENTS ARE WORKING REMOTELY MAKING COLLABORATION MORE DIFFICULT

THE CHALLENGE

According to the 2021 DiCOM Loan Review Survey, approximately 4 in 5 loan review staffs are working remotely (partially or fully). While some banks supported remote options pre-pandemic, many banks were forced to implement “emergency” work from home policies for employee safety. This shift was often disruptive and has placed additional stress on how loan review departments managed the process. Even more telling is that 43 – 67% of banks (depending on size) expect the current work location to be permanent forcing banks to optimize processes and technology to support a remote workforce. The primary challenges these institutions face are:

- Inefficient document and workpaper management
- Difficulty tracking review progress
- Ineffective handoffs and collaboration with other team members and departments
- Time consuming process of consolidating findings and workpapers for actionable review summarization



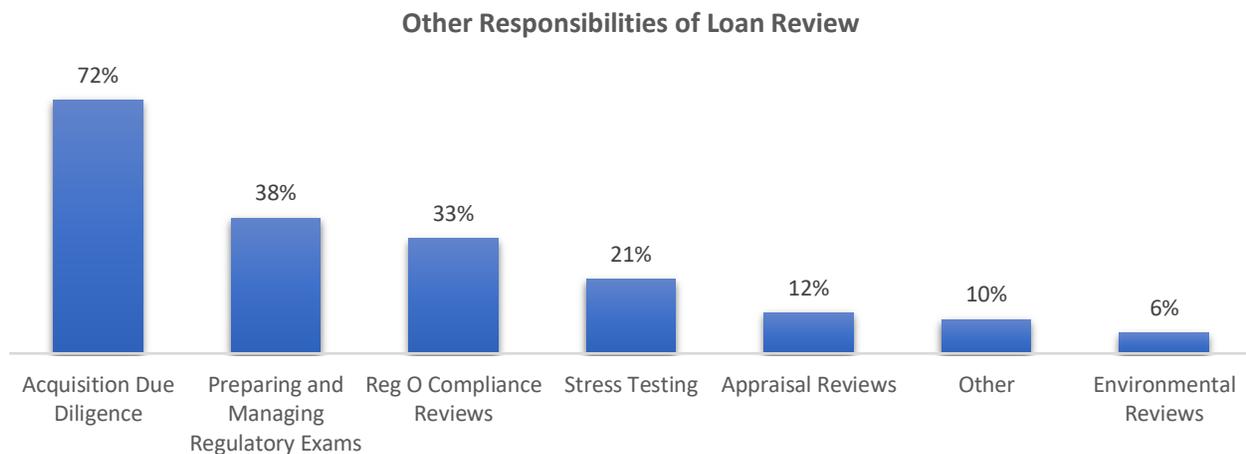
THE SOLUTION:

CQS is designed to offer a transparent work process to facilitate remote work environments. Because the team’s work is managed in a centralized platform, the process of tracking review progress is simple and intuitive. CQS acts as a “single source of truth” making it possible to ascertain progress at the team member and the review level with a few simple mouse clicks. CQS offers fully customizable workflows and collaboration capabilities to both streamline the loan review process and the various interactions required to support the loan review process (such as collecting/rectifying missing or incomplete loan documentation). Finally, all review information automatically flows to standard and customizable reports to ensure your final work products are impactful and actionable.

ACQUISITION DUE DILIGENCE IS A CORE RESPONSIBILITY OF MOST LOAN REVIEW ORGANIZATIONS

THE CHALLENGE

Most loan review organizations are tasked with other responsibilities beyond the typical exam-based review process. While these “additional responsibilities” vary by institution, the most common responsibility is acquisition due diligence. For reference, please see the graph below from the 2021 DiCOM Loan Review Survey. DiCOM has found that many organizations are seeking to find a more efficient way to manage the due diligence process as it can cause a significant impact to team productivity and internal portfolio coverage.



THE SOLUTION:

CQS allows institutions to optimize their due diligence process in much the same way the system improves the internal review process. While most clients opt for an automated data import for own loan data, CQS offers an intuitive manual data import option. This allows institutions to take a trial balance from the target organization and import that data directly into CQS through a simple data mapping interface. The target organization’s data remains segregated to simplify the due diligence review process. In addition, a unique review workflow and questionnaire can be applied to due diligence reviews to ensure maximum efficiency and effectiveness.



SUMMARY

Now more than ever, technology is playing a major role in the value loan review can offer their organizations. Based on findings from DiCOM's Annual Loan Review Survey, there are several key trends that provide additional support for the CQS business case. DiCOM can help your organization:

1. Reduce/eliminate the need of hiring new talent to support increased workload
2. Support an efficient and collaborative remote workforce
3. Streamline the acquisition due diligence process, providing added bandwidth and focus on internal reviews

Of course, the benefits of CQS extend far beyond the trends discussed in this case study. The best way to evaluate CQS is to [schedule a personalized demonstration](#).

ABOUT DICOM

DiCOM has been helping banks optimize their loan review function and better manage credit risk for over 20 years. DiCOM's Credit Quality Solution (CQS) is a fully integrated system that will dramatically **improve your team's agility, productivity, and results**. It is no surprise that more institutions use CQS than any other loan review platform. DiCOM's highly engaged user community consists of large banks over \$100B, mid-sized banks, smaller banks under \$1B, agricultural lenders, and third-party consulting firms.

Key technology, like CQS has become essential to improve team performance and support workforce collaboration. Clients also benefit from peace of mind that core CQS features will align their organization with the latest interagency guidance. Finally, DiCOM offers CQS as an all-inclusive system that is priced to **ensure your organization gets maximum value from your technology budget**.

FOR MORE INFORMATION OR TO SCHEDULE YOUR PERSONALIZED DEMO OF CQS, CONTACT:

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