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A professional photograph of Kim Davis Wilson, President and CEO of OneSouth Bank. She is a middle-aged woman with short brown hair, smiling at the camera. She is wearing a black blazer over a white top, black pants with a gold belt buckle, and a pearl necklace. She is standing in a spacious, well-lit office with large windows in the background. To her right is a wooden chair with a blue upholstered seat and a patterned backrest. To her left is a wooden coffee table with a blue folder on it. The office has a warm, yellowish-gold color scheme and a patterned rug.

Kim Davis Wilson and  
OneSouth Bank:  
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*President and CEO Kim Davis Wilson.*



# CONSTRUCTION LENDING TECHNOLOGY CONSIDERATION

BY BOB SCALES

Within the next couple of years, the time-honored tradition of waiting in line on your 16th birthday for your driver's license test will fade away. In its place is emerging a driverless car to handle all transportation needs. The impacts will be felt throughout the consumer insurance and automobile markets. This is just the tip of the technology-change iceberg, which is lurking on our horizon.

What are the technology considerations for construction loan management and how can an institution remain nimble in this environment? This article explores several elements of construction lending that should be considered when upgrading systems.

## Budget Management

Are your current systems manually intensive and prone to human error? Spreadsheets were introduced in the mid-1980s along with CDs, the Walkman and VCRs. The latter of this group have long since been relegated to a blank stare from millennials. The spreadsheet, however, with its manual entry and susceptibility to entry error is, in many cases, the software of choice for processing multi-million dollar deals.

Today's marketplace provides platforms that can eliminate math errors, reduce data input hours and provide a detailed system to track changes. Some of the attributes of these systems include:

- The establishment of a baseline budget to better account for downstream modifications;
- Multiple schedules of value that roll into a single overall project budget;
- The ability to assign specific fund sources to uses within the budget;
- Automated disbursement processes with alerts and multi-level approvals; and
- Data entry accessibility from authorized outside parties.

## Document Storage

Electronic document storage provides several significant opportunities. Beyond the savings resulting from the reduction of physical storage (e.g., a PwC study placed a cost of maintaining a four-drawer file cabinet at \$2,000 per year), electronic storage enables an institution to access the documents within the context of the project

they are reviewing. The days of retrieving paper copies for a meeting or having a complete inability to reference information out of the office are gone.

System technology today can either pull documents from a core system or house them internally. The ability to request documents from the system, track their progress and maintain version control contributes to sound management practices. Use this process to circulate project documents in lieu of printing and shipping and you will realize additional cost reductions.

## Automation

If your current project portfolios are managed through a series of fragmented systems, the cost to maintain, update and integrate these systems often far outweighs the investment in a new comprehensive system. Accenture recently estimated the replacement of a legacy system results in IT operating savings of 20 to 30 percent, development savings of 20 percent, infrastructure reductions of 25 percent and service cost reductions of 30 percent. These alone will typically offset the cost of a new comprehensive system, while providing a single, up-to-date platform for your information management.

Automation delivers the ability to manage and notify you and your team of pending problems. Being prompted to address an early warning sign not only protects your loan, it protects your borrower. A singular-system approach allows you the ability to





understand your concentrations and exposures. On-demand reports can quickly illustrate the effects of market change to your collateral, while delivering the ability to react to and mitigate exposure.

## Personnel

Personnel efficiency through an automated system can result in added capacity without the need for new hirers. In a study of 1,000 corporations, the top 25 percent were found to be two and a half times more productive than the remaining 75 percent of the companies. Automation and technology allow an institution to quickly process loans, while separating and managing problems by exception. A good automated construction loan process can result in a 40 percent gain of personnel efficiency.

Standardizing your approach reduces the cost to train personnel on various systems and allows your vendors to deliver your information in a consistent manner. Additionally, should the need arise to substitute personnel, transitions become seamless. A technology-driven work flow can reduce funding turnaround by as much as 75 percent, which, in turn, generates an overall increase in interest income.

## Data

Customers' access to their loan information will be a major consideration for millennial investors. When looking at online shopping trends, the continued 10 percent projected annual growth is driven by two-thirds of the under-40 buyers. Offering an online document repository and providing controlled transparency into your construction loans is the future key to customer relationships.

Today, the data surrounding construction loans is often thrown away. Primary data, the information required for the processing of the loan, is typically retained by the bank's core system. Exhaust data gathered when generating the primary data can — and should — be used by the bank to better the internal operations and customer relationships. This information can be used to analyze future loan costs, determine change order expectations, project reasonable time frames and forecast future behavior. Your technology should retain and provide a mechanism to report this information back to you.

## Security

Information security, access and regulatory compliance of your technology is of utmost importance. The tools and protocols surrounding your technology security are complex and are beyond the scope of this introduction; however, your technology must be able to demonstrate these tools and provide ongoing evidence of compliance. Today's hackers do not show up at the front door of the bank; they look for the vendors, which operate at your perimeter. Make sure these vendors use the built-in security features offered by your technology.

## Conclusion

Technology is opening doors to reduce risk and streamline efficiency. Embracing technology is the evolutionary step we all must make. When taking this step, consider the above to improve controls and reduce exposure. 📄

*Bob Scales is the managing director of CodeFi Solutions, Inc., a real estate loan administration and risk mitigation software firm specializing in process control and analysis systems for financial institutions and private development firms. He can be reached at [bscales@CodeFi.com](mailto:bscales@CodeFi.com).*

*To learn more about CodeFi Solutions or other BancServ Endorsed Partners, contact Managing Director Jim Seay at [jseay@floridabankers.com](mailto:jseay@floridabankers.com) or 850-224-2265.*

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