

An MIS manager's perspective on a build vs. buy scenario with CQS software

Case Study

INTRODUCTION

While each financial institution is unique, there are a number of common motivating factors that inspire clients to consider and ultimately implement an automated credit risk management solution. Some common motivators are:

- Process improvements and standardization
- Ability to facilitate regulatory compliance
- Improved efficiency and error reduction
- Increased scalability to accommodate portfolio growth
- Improved reporting and analytics

With the above in mind, it's often easy to overlook other perhaps more fundamental benefits of automation software. The perspective of a Management Information Systems professional (MIS) helps us view the question through a different lens and brings other benefits into focus such as system stability and data accessibility and integrity.

THE CLIENT

In 2015, a large financial services organization with over \$800B in assets approached DiCOM (now Abrigo) wanting to evolve from an internally developed database system to a more stable and built-for-purpose system to help improve and automate their loan review process. The review team was structured under a newly appointed managing director. Reporting to the director were three review managers providing oversight for the review staff of twelve. In addition, an MIS manager and MIS analyst were organized within the department

THE CHALLENGE

There were several aspects driving the organization's need for a loan review system. First, the review team did not have a centralized tool to warehouse documents and data related to results of the loan review process beyond standard network storage. Most notably, this impacted the organization's ability to efficiently and effectively produce line cards and other historic review data for regulators. Second, the process of data extraction, transformation, and presentation from their custom-developed core system had to be manually initiated and

“The biggest game-changer for us was being able to retire our database solution, which was very unstable. CQS provides a far more stable solution for the entry of review results.”

MIS Manager

performed separately for each loan review manager and analyst. The use of a database system presented additional challenges as well. Some of the less tech-savvy analysts had difficulty working through the user interface. The organization also found the database system to be too unstable to utilize for mission-critical work.

THE SOLUTION

To address these issues, the organization performed an internal and external assessment to determine the best approach for their automation project. The Credit Quality Solution was quickly identified as the most suitable candidate from a vendor perspective and the decision ultimately came down to a “buy versus build” scenario. As is the case with many internally-sourced software projects, an internally-developed system was determined to be costlier and would take much longer to build. In fact, the project life cycle for an internally-developed system was estimated to be years longer than a software purchase and deployment. Based on the conclusions of their internal assessment, the organization made the choice to move forward with the Credit Quality Solution (CQS).

THE RESULT

The loan review module of CQS, with the ability to directly import data from the core system and uniformly present it to the review staff has made the process of review setup far easier. Based on calculations from the client, the company is achieving a yearly reduction of 150 hours off their loan review process from this one aspect of CQS.

Several other tangible benefits include:

- The CQS interface is easier to use for less technically skilled staff
- Electronic line cards are easier to produce for regulators
- CQS has proved to be more stable than the database solution

The client purchased CQS Portfolio Analysis as well. Most clients find that the primary benefit of Portfolio Analysis is the advanced query function used for loan review scoping and to analyze concentration levels and identify unique pools of risk. This client, however, found that the data import features allowed them to leverage existing technology and business processes. Specifically, the client had already developed sophisticated queries that allow them to extract information directly from their core system. As such, they utilize Portfolio Analysis as the conduit to consume this data to create a scoping sample for the Loan Review application.

ABOUT ABRIGO

Abrigo provides technology that community financial institutions use to manage risk and drive growth. Our solutions automate key processes – from anti-money laundering to fraud detection to lending solutions – empowering our customers by addressing their Enterprise Risk Management needs.

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