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October 2009

Credit & Systems News is a new quarterly newsletter provided to select clients of Custom Credit Systems. Our mission is to provide the latest news from CCS and the commercial lending industry.

From Brian Shaw, CEO of Custom Credit Systems

Welcome to the premier issue of CCS' *Credit & Systems News*. Our goal is to keep you informed about germane events shaping our industry, ways to capitalize on new opportunities and share some of the latest developments at CCS — we welcome your feedback.



Brian Shaw

Do you remember when anyone in the industry could talk about his or her career with pride? Unfortunately, many of us now find ourselves having to explain or defend what we do. "Did we play a part in the current state of the mortgage industry?" "Did we invent or invest wildly in the risky credit products du jour?" "Did we trade the 'three C's of credit' for quick market share?" For most of us, the answer is "no."

The unfortunate state in which we find our economy and industry is likely the result of reasonable motives that took a left turn at some point. The goal of promoting homeownership is a noble one. The drive to build American businesses, small and large, can be viewed as patriotic. The desire to provide a fair return to investors is understandable.

However, the deviation from the original goals was in some cases intentional and unintentional in others. I do not wish to address the obvious here, so I will refrain from commenting on companies and individuals who intentionally sought to exploit otherwise reasonable objectives. I believe, on the other hand, that unintentional actions played a substantial role in the current state of affairs. More specifically, lenders did not possess the tools or data necessary to

"CCS offers the functionality and expertise that we need in the highly configurable format that we want. CustomLender allows us to increase efficiency by further automating the boarding process and centralized servicing efforts."

—Thomas Panos, president and chief commercial banking officer, MB Financial Bank

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Banking Technology

conquer the new frontiers they pursued.

Automation of the lending process and the tools to analyze portfolio composition and trends have only emerged in the last 10 to 15 years. Full “end-to-end” technologies are even newer and still rather sparse, while data warehouse initiatives continue to struggle with data consolidation, consistency and completeness. Even when available, many bankers in strategic decision making roles did not grow up with a BlackBerry® in their play pen and are either not as comfortable managing through technology or not fully aware of its power.

We believe that CCS and its systems provide the solutions financial institutions need to effectively and actively originate loans and manage their lending portfolios today. Our many years of lending experience is leveraged into business process recommendations and software that will help financial institutions navigate the current turmoil and to avoid repeating it in the future. Recently, many aspects of commercial lending have changed, and we expect more change in the near future as the industry and the federal government seek to gain better control. The government, for example, has taken a more active role in banking by introducing legislation to manage executive compensation, lending guidelines, capital requirements and much more. In the wake of this and rising commercial delinquencies, banks must manage their portfolios more closely and be ready to seize opportunities.

CCS was founded twenty years ago during very perilous times for financial institutions — times that are similar to today. Therefore, our systems are rooted in flexibility and efficiency. And now, more than ever, the financial industry can turn to technology such as ours to save money through the streamlining of business processes, to ensure consistent application of policies and to accurately collect data. CCS is committed to investing in our technology offerings to ensure that our customers have the business tools they need to remain competitive and grow market share.

In the weeks and the months to come, you will see some system enhancements that will give you more control in [CustomLender®](#). We are listening to what you want, we are seeing what trends are developing in the industry and how they might affect you and your customers.

Being proactive will help the industry recover from its wounds. And maybe people will again have the respect for our profession they once did.

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THE ECONOMIC CALENDAR

10.14.2009: Retail Sales
10.15.2009: CPI
10.21.2009: Beige Book
10.29.2009: GDP
11.02.2009: Construction Data
11.03.2009: FOMC Meeting
11.04.2009: ADP Employment
11.16.2009: Retail Sales
11.18.2009: CPI
11.24.2009: GDP

INDUSTRY EVENTS

10.18.2009
SourceMedia 14th Annual Small Business Banking Conference Chicago

CCS NEWS

09.16.2009
WSFS Bank Selects CustomLender
[\[VIEW PRESS RELEASE\]](#)
08.19.2009
CCS Increases Revenue 55% in First Half of 2009
[\[VIEW PRESS RELEASE\]](#)

07.01.2009
Custom Credit Systems Offers CustomLender 4.6
Western Banking, July Issue

06.01.2009
US Bank Adds CCS Software
Mortgage Banking, June Issue

CCS Provides Active Portfolio Management

Fool me once shame on you; fool me twice, shame on me.

Most bankers understand this well-known principle when it comes to fraud, but it is too rarely applied to another vulnerable part of the bank: lending. Financial institutions are in the midst of a

vigorous battle to regain health and good standing after the bursting of the mortgage bubble. Now, a very similar situation is arising with commercial loans, and it must be addressed quickly.

Loan portfolio management tools, such as [CCS' Portfolio & Risk Management module](#), are crucial components of any lending platform. Banks must be able to quickly and accurately analyze the scale and dynamics of portfolio changes, then adjust their actions accordingly. If financial institutions had a better view of what their lending departments were facing five years ago, we might have avoided the recession we are experiencing today. And, without proper foresight, we may repeat these mistakes in the future.

A true portfolio management tool will work across all silos of lending, providing one cohesive report. Commercial, C&I, real estate, indirect and all other loans should be consolidated, common sized and analyzed as a whole. Common sizing portfolios — viewing them on a ratio of expense to revenue that equally compares all departments — is a simple step that many banks neglect. It provides an accurate, comprehensive way to present truly consolidated data across all lending portfolios.

Once this data is provided, credit officers, branch managers and anyone involved in lending can easily identify daily, weekly or monthly trends such as an increase in delinquencies, charge offs, risk rates, work out loans and utilization. Then systematic, knowledgeable actions can be made to adjust the bank's course of action and address the trend before it becomes detrimental.

Risk departments do not have all the information they need to assess risk properly right now. Most excuses for poor reporting involve a lack of data or skill set, but this does not have to be the case. Poor information leads to faulty decisions and poor economies. An active portfolio management system will protect banks immediately and well into the future.

v4.7 Product Manuals Now Available

Custom Credit Systems has taken its product manuals to a whole new level. Our administration, user and quick reference manuals were redesigned to provide our clients with a one-stop resource for information related to technical issues, product functionality and best practices.

The new manuals are available for our CustomLender product suite. Customers may contact a relationship manager if they have not received PDF copies.

Get 50% Off Licensing Before December 31st

Purchase Custom Credit Systems' Portfolio Management module between now and December 31st and receive 50% off licensing for any one additional module. Contact us at 888-644-6405 or sales@customcreditsystems.com to learn more.

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