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You Can Do It: Tools and Information to Make Good Commercial Loans

By Brian Shaw, CEO of CCS



It seems as though there is always one economic calamity or another happening. Either we are being downgraded by rating agencies or the federal government is threatening to shut down because its account is way overdrawn. Despite the economic malaises of the country, banks can and should lend money and be profitable doing so. It's all about perspective.

In fact, financial institutions can borrow an example from the playbook of J.C. Penny's incoming CEO, Ron Johnson. Johnson, previously senior vice president of retail at Apple, is so confident in his ability to reignite the stagnant retailer that, according to the September 2011 issue of D CEO magazine, he has decided to purchase, with his own money, \$50 million of stock warrants at a strike price that is approximately 20 percent higher than its most recent close. Should he fail to help the organization increase in value over the next five years, he stands to lose a substantial part of his investment. Talk about putting your money where your mouth is. Johnson is not focused on what is happening in the economy, he is truly focused on being successful.

So what makes Johnson so confident that he will succeed? It is likely his, and probably J.C. Penny's board, belief that innovation and investment in spite of circumstances will yield extraordinary results. Johnson helped craft Target's success

CCS News Briefs

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Ring in Regulations

Maintaining compliance with regulations remains high on our list of priorities. New and changing guidelines that you should be aware of include: the Dodd-Frank Act and the Foreign Account Tax Compliance Act (FACTA) in the United States as well as the Bribery Act in the United Kingdom and Basel III on a global level. Our expert team at Custom Credit Systems is available to assist your implementation and compliance efforts with respect to any of these regulations.

with bringing affordable designer products to wider audience where the company saw its stock price increase from \$2.50 to more than \$30 per share during his tenure. More recently, he was instrumental in creating and overseeing the very unique and successful retail outlet strategy for Apple, which includes his personal innovation of the Genius Bar. While not reasonable to attribute the 15x increase in stock value during his time there solely to his contributions, step into an Apple store at the mall some Saturday and you'll reasonably conclude that his innovations and the company's investment in his retail strategy are key elements to Apple's customer service and recent success.

How would you characterize your activities over the last two or three years at your bank? Would you say they are innovative or reactive? Have there been strategic technology investments made or are the hatches still battened down? Numerous changes in our domestic and global economy as well as the regulatory environment have occurred over the last several years. Here are a few thoughts to keep in mind:

- *Make good loans.* It does sound like common sense but many financial institutions fail to look at a loan from the beginning to see what they need to succeed for the long term.
- *Invest in technology.* Now is the time to implement technology that will help you weather the regulatory changes as well as prepare for volume changes.
- *Build a bridge.* In order to ensure that a loan will perform well, banks need to include risk management from the point of sale. That's right. It should be right there in the loan origination system. Assessing risk from the beginning gives a bank a better picture of the loans profitability from the beginning.

The sluggish economy has led many of our competitors to slow down on product enhancements and innovations. For CCS, our innovative philosophy is not merely rhetoric but is part of our DNA. This is why we have pushed forward with significant enhancements, such as a new user interface for easier navigation and new dashboards for faster and more direct access to work. We have also integrated with a new strategic partner whose products offer a deeper, richer set of tools from which to process loan requests. These and many other new features and enhancements have been rolled out during the last several years, keeping CCS' capabilities fresh and ready for the next upturn in the business cycle.

What's New This Year:

CustomLender 4.12 was released in Q4, 2011. The latest version is focused on meeting changing business challenges including easier to use dashboards, financial spreading with customer assessment risk modeling and enhanced business analytics functions.

And, as a CCS client, you now have access to added credit risk management tools through SunGard's Ambit banking solution suite. Take advantage of our strategic partnership to increase your risk-adjusted performance for better lending decisions. Combining our respective solutions offers what we view as the most sophisticated analytical and operational commercial lending applications.

Contact your CCS relationship manager for additional information on CustomerLender 4.12 or SunGard. We are happy to provide you with additional information.

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The banks that will withstand the economic trade winds and those that will reign supreme when we enjoy the next upswing in the business cycle, will be those that persistently innovate and invest throughout the cycle. There is no doubt that business will not continue as usual once the financial and economic rollercoaster ride has ended. The question is, **“Where will your financial institution be when the ride stops?”**

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