

Northeast Member Business Services finds fast, cost-efficient way to manage risk

Challenge

Scott Anderson, one of Northeast's founders and now its chief executive officer, had years of experience as a commercial lender and was an executive for a West Coast credit union service organization (CUSO) prior to starting Northeast. When his credit union partners decided to form Northeast, they needed a fast, cost-efficient way to effectively manage business credit risk. They also required the flexibility to assess and manage credit risk on a variety of loan types of various sizes.

"Many managers who are introducing business lending at their credit unions come from traditional banks," says Scott. "They are comfortable with commercial lending and recall technology solutions that automate the origination and management of loans that range from small business to larger commercial loans. We were no different, and knew that Baker Hill's Bank2Business was the best way to achieve our goals.

"All credit requests are not alike and the analysis must reflect that."

- Scott Anderson, CEO

"We saw no reason to reinvent the wheel when we could employ a proven program that would meet regulatory guidelines and make us competitive with the banks. The flexibility of the program has proven important as we have grown; all credit requests are not alike and the analysis must reflect that. Using Bank2Business, we could support a range of loan requests to help our partners grow their portfolios."

Solution

"Having successfully used Baker Hill's solutions at my last CUSO, I recommended to our board that we use these here at Northeast," says Scott. "They agreed and it turned out to be the right decision."

"We're committed to providing our partner credit unions with tools that allow them to compete with banks in their markets," says Frank Maguire, Northeast's senior vice president of

operations. "They need an easy application process that makes relatively small demands on an applicant, and a quick turnaround time (no more than two business days from key-in to acceptance/decline). Significantly, Bank2Business is accepted for SBA Express. It is fast, efficient, flexible and cost effective. This is what the market wants and demands and if a credit union is to compete, it has to match what the banks can offer."

Bank2Business® is a browser-based origination solution used to manage, analyze and decision business credit requests, regardless of size or type. Bank2Business supports all sizes of business lending, from small business to commercial, in a single solution. It treats loan requests differently based on the request type and the credit exposure of the borrower. The automated workflow progresses a credit from the initial structuring of the request

PROFILE

CLIENT

Northeast Member Business Services, LLC ("Northeast") is a credit union service organization (CUSO) headquartered in Keene, New Hampshire. Northeast helps credit unions enter the small business loan/deposit market, safely and profitably. Following completion of its development phase in late 2004, Northeast launched its small business program with its first credit union participant ("Partner") during the second quarter of 2005. Northeast has grown steadily and continues to add employees, partners, and services as it pursues its key goal of remaining one of the top small business CUSOs in the country.

CHALLENGE

Provide an automated lending solution to member credit unions that supports all sizes of business lending, from small business to commercial and will integrate statement analysis, organization-defined underwriting questions, and multiple decision strategies. The solution had to be web-based to support remote, 24/7 input of member application data.

SOLUTION

Baker Hill Bank2Business® with Statement Analyzer™

RESULTS

Members can originate loans of any size with fast turn-around times giving them a competitive edge in their markets; loan delinquencies and charge-offs are below industry average.

through financial statement analysis, underwriting, decisioning, document preparation and pre- and post-funding checklist creation. Bank2Business facilitates consistency in the lending process to minimize portfolio risk and delivers the efficiencies needed to be more responsive to the needs of business clients.

Analyzing financial statements and obtaining credit bureau data are essential steps in the underwriting process. The type of financial analysis conducted in Bank2Business is determined by the depth of analysis required. This can range from no analysis to summary level analysis to detailed financial spreads and reports using Statement Analyzer™, Baker Hill's ASP-delivered statement analysis tool.

Since the industry is relatively new to commercial banking, as loans got larger, the regulators want to see more analysis," says Maguire. "Bank2Business is a good solution because it addresses that analysis. It can support the big loan write-up. It satisfies regulator concerns in addition to practical lending concerns."

While Bank2Business supports both scored and non-scored, or judgmental decisioning, Northeast chose to use the credit-scoring option. According to Anderson, "Credit scoring is an efficient and safe way

to provide lending. NCUA allows credit scoring, when used properly in conjunction with other forms of analysis. In addition to the score, Bank2Business properly evaluates debt service coverage, debt/worth ratio, current ratio, tangible net worth and other similar benchmarks. It highlights risks in these key benchmarks and can incorporate Risk Management Association (RMA) data for additional analysis when applicable. The partners and regulators want this and Bank2Business delivers it."

Results

According to Maguire, "We started out processing loans up to \$250,000 and increased the loan size to \$750,000 as Bank2Business' scoring model improved. Now, with the upgrades and custom features, we can appropriately underwrite whatever size loan our partners submit."

"It's been pretty successful," says Anderson. "We are providing good turn-around times, quality credit decisions, and good record keeping. Those are big pluses for our partners. They make us attractive to a new customer that recognizes that you have to manage the cost and time of delivery if you are realistically going to compete. This is a major challenge for credit unions trying to crack the small business market. We

are committed to using automation and intuitive models to achieve these key goals, and Bank2Business is a key part of the solution. We are pleased with Bank2Business and the people that support it.

"Baker Hill is one of our partners. All of the company's employees are extremely professional and courteous. They helped us through a tough project; they made it easy."

Baker Hill, a part of Experian

Baker Hill delivers solutions that address business process needs, and works as a trusted adviser to its banking clients. Baker Hill understands sales, lending and portfolio management processes, knows how to implement technology to enable those processes and has a long history of client success from which to mine best practices. More than 1,200 financial institutions and credit grantors in all industry segments have drawn on Baker Hill's business and process expertise, and have chosen its relationship management, credit origination and portfolio risk-management solutions as their enabling technologies.



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