ONPOINT eBOOK:

HOW TO MAKE CECL A STRATEGIC ADVANTAGE

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COMPLIANCE | CECL | ECRM STRATEGY

IT SEEMS THAT LATELY, THE HOTTEST TOPIC IN THE BANKING WORLD IS THE UPCOMING CURRENT EXPECTED CREDIT LOSS (CECL) REQUIREMENTS. IF IT'S NOT ALREADY ON YOUR RADAR, IT SHOULD BE. THE BIG CONSULTANT FIRMS ARE SURE HOPING IT WILL BE. MOST BANKS ARE LIKELY LOOKING AT THIS AS A NECESSARY EVIL.

Many words have been put out there in cyberspace along the lines of "CECL is coming… so, buckle up"; but we're here to tell you that there are significant opportunities out there for the strategically-inclined bank leader to leverage that extends beyond simply overhauling your expected loss (EL) reporting. At OnPoint, we begin with a fundamental shift in how you prioritize your approach.

YOU ARE WHAT YOU INPUT.

The majority of the financial/risk world is reacting to CECL by only focusing on the CECL answer. This is just as true for the big consultants. They seem to only want to look at CECL as an accounting solution. It really needs to be viewed as a strategic credit risk solution. Put another way... what good is an answer based on an incomplete question?

To truly optimize CECL, organizations must begin with their Risk Rating Score Cards. This may not be the typical place for most banks and the big 5 consultants to start, but it is for us. The key is getting into the most forward-looking measurement possible. Otherwise, the complete life-cycle of the loan process – is, for lack of a better term, at risk: portfolio analysis, portfolio management, allowance modeling, stress testing, etc. Even pricing consistency – which means that now your earning potential is also at risk. Imagine these processes – and worse – these functions of your organization all pulling in different directions. Not only are you on a very tense roller coaster ride – you might as well be blindfolded.

AN UNPRECEDENTED OPPORTUNITY

Yes – you read that correctly… An unprecedented opportunity.

You can't avoid a credit cycle, but you can enjoy a much more comfortable ride through the cycle. There is a better, more forward-looking comprehensive solution, so that it's all in sync. The typical requirements for loss reporting are actually backward looking. But with CECL, all data and processes are actually forward-looking as it enables better risk underwriting and greater overall visibility. And, the measurement of the loss allocation is correct and defensible to regulators.

As we've outlined above, the ability to get out in front with strategic scorecarding is the straightest path to do just that. And with the way OnPoint approaches CECL, it's all built in. And this translates to fewer losses, retention of precious capital, and higher earnings.

ALIGNMENT TO YOUR OVERALL BANK STRATEGY

At OnPoint, everything ties back in to bank strategy and the organization as a whole. If proactive, CECL can be amplified and aligned into each critical area of your ECRM practice to be used to an advantage.

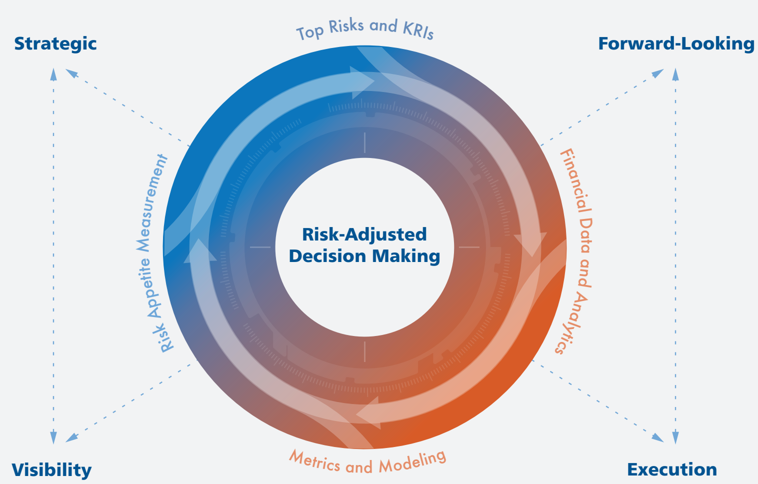
Begin by aligning to your overall strategic goals. If your organization is focused primarily on credit portfolio growth but with limited exposures, for example, your scorecards will reflect not only your underwriting strategy, but the way many aspects of how the bank is run. More than just the loan segments and portfolio of the bank, but even personnel, for example. EL can even relate to who the best loan officers are. This is an opportunity to bring it all into sync.

And banks should understand that this is not a one-size-fits-all process. In addition to an objective highly-transparent rating process, we also embrace subjective measurements that are unique to your underwriting practices and culture. It's a collaborative process that integrates the cultural factors that matter to your organization the most. When you can see the exposure on the horizon, you more efficiently avoid the exposure. Finally, all functions of your organization are pulling together in the same direction. Risk, loan operations, executive leadership and finance.

And speaking of finance...

VISUALIZATION IS THE KEY.

All banks have financial data, though, it may or may not be all in one place. But for the typical community and regional banks, it's very rarely viewed alongside your risk data. And as a result, strategic opportunities may slip by.



This unified platform leverages recent advancements in technology and combines best practices in financial and risk management to provide strategic visibility to banks of all sizes.

Financial data being viewed through a risk lens is necessary if any bank is to have the most accurate profile to make the most effective strategic and forward-looking operational decisions possible.

The real benefit is that it is true – one version of the truth – and consistent. You can see much further because your risk outlook and forecasting are driven by a common risk language and key risk indicators that are shared and goal-oriented.

Our technology integrates real-time financial and risk metrics into a unified approach and platform. And the vision it provides is an advantage that every bank should implement.

LOOK FORWARD TO NOT LOOKING BACKWARD.

Contrary to the classic – if not outdated – Allowance for Loan & Lease Model (ALLL), CECL draws perhaps it's biggest benefit by being a forward-looking EL model. The old standard could only draw from previous loan performance which placed organizations into a reactive cycle of how you structure your EL reserve amounts. With the regulators mandating an across-the-board standard, your organization was on the same roller coaster of forecasting as everyone else. With CECL's scorecard process, forward-looking measurements are embedded into the model. You are no longer attached to rails and instead, free to take to the skies and to optimize your unique flight path.

LEVERAGE YOUR INVESTMENT TO ACTUALLY BOOST YOUR BOTTOM LINE

Is CECL going to be an Investment? Sure. Is it worthwhile even if it wasn't required? We say yes. Because, the strategically-savvy financial institution can elevate CECL beyond "just another regulatory reporting methodology" into real leverage. You have no choice to comply, but you do have a choice – view CECL as another pesky compliance shift and get a limited return on a significant financial and strategic investment, or see it for what it really should be – a competitive advantage that actually boosts your bottom line.

DON'T JUST COMPLY…

With the correct approach, CECL can actually create a financial advantage AND a strategic advantage when based on comprehensive measurements of credit exposure through a supercharged EL methodology. When you are out of the reactive business and instead, can anticipate credit cycles, you have the freedom to realize future opportunities when you leverage CECL and actually make a significant contribution to your bottom line with it.

Let's have a conversation.

If you would like to see a demo of how all of this easily becomes a reality,
*we invite you to call us at **800-844-5512** or visit us online at **www.financeriskunified.com***