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## To Better Vet Risk, Calif. Bank Streamlines Loan Tech

BY DANIEL WOLFE

Silvergate Bank is getting better visibility of its loan portfolios by replacing an assortment of credit-analysis systems that did not communicate seamlessly with one another.

It has begun using WebEquity's Lending and Risk Dashboard products, which help banks understand their exposure and convey it to regulators. The Omaha, Neb., vendor says its system typically serves as an upgrade over the labor-intensive process of manually handling loan data in spreadsheets.

In this way, WebEquity can help banks "understand their exposure and help them to explain that risk to whatever body regulates them," says Christine Pratt, a senior analyst with Aite Group LLC of Boston. "It helps them to reserve the right amount of money against risk and it helps them to be compliant with the auditors as well."

Because of the La Jolla, Calif., bank's earlier hodge-podge approach, a lot of information had to be shared among systems through manual typing. This was a time-consuming process that invited human error. Although these errors were simple typos, they could have major consequences.

"If there was a big enough error in a number, that could impact a lending decision," says Terrece Madrigal, the bank's vice president of commercial lending.

She was unable to say how frequently this was an issue, and stressed that the main day-to-day benefit of WebEquity's technology is the time-savings it provides. Silvergate, a unit of Silvergate Capital Corp., has been using WebEquity's products since May, gradually replacing older systems for handling commercial real estate, commercial and industrial and

small-business loans. The bank expects to finalize its implementation on Sept. 22.

WebEquity can also help lenders avoid another type of human error: accidental discrimination, Pratt says.

"When people get involved, they make their own decisions, sometimes," Pratt says. "If you use an automated system, you're more likely to be compliant with all the rules and regulations, so you don't run the risk of inadvertently discriminating against someone or not lending to someone for a reason that is not a good, sound reason."

Silvergate plans to do more than just improve the process by which it inputs data. WebEquity's software "would also allow us to keep our fingertips very tight on the portfolio and be able to prepare thorough reports," Madrigal says. "At any time we could stress test our portfolio," such as when interest rates or real estate prices change, "and make that process as efficient as possible," she says.

WebEquity's technology frequently replaces systems based around Microsoft Corp.'s Excel spreadsheet software. Many banks prefer the "risk management and efficiency gains over Excel," says Doug McGregor, WebEquity's chief executive. (Madrigal listed Excel as one of the systems Silvergate is replacing.)

"We basically help the banker determine whether the customer is credit worthy and why," McGregor says.

WebEquity has offered its technology since 2001, and the demand for it spiked in recent years.

"When the credit crisis hit, a spotlight



*THE MAIN BENEFIT of the new software is time-savings, Madrigal says.*

opened in the asset area that had basically been asleep, and now all of a sudden this risk management really is all focused around what we do for a living, managing the credit and loan portfolios," McGregor says. Since 2008, WebEquity has signed about 10 new deals a month, he says.

WebEquity's software, which is hosted by the vendor and sold as a subscription, competes with Fair Isaac Corp.'s LiquidCredit and Harland Financial Solutions Inc.'s CreditQuest, Pratt says. ■

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