

## BusinessInnovation



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## RISK

## LOCATING STORMS ON THE PORTFOLIO PLAINS

Investors Community Bank and Citizens of North Dakota are using a new Web dashboard from WebEquity to allow execs to perform deep portfolio diagnostics

BY JOHN ADAMS

Many of Investors Community Bank's customers live off the harvest, a game in which the profits literally can sway with the winds. That also leaves the bank's harvest of loan payments equally hard to pin down, making the institution a prime candidate for a new risk and stress testing dashboard.

"We have a ton of large dairies in our footprint. We're dealing with big loan exposures and complex businesses, and [borrower] financial statements that aren't always prepared by an accountant," says Scott Schroeter, senior credit analyst for the Wisconsin-based bank, which recently began using a new Web Equity risk management dashboard to perform more detailed analysis of agricultural loans, which make up 40 percent of the \$700 million-asset bank's business.

WebEquity's product is designed to allow senior bank executives greater transparency into portfolio strength based on loan-level performance, the activities of individual loan officers, branches and other metrics, as well as perform stress testing based on a broad set of factors. Investors Community Bank is measuring the effects of the price of milk and other farm assets on the potential future performance of agricultural loans. "We can do tests to see what happens if the equity to asset ratio drops by ten percent, for example, to figure out which loans will become riskier, or drop in [credit

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classification] from ‘watch’ to ‘special attention,’” Schroeter says.

WebEquity’s dashboard utilizes Microsoft .net and bases its analysis on a bank’s own risk rating model. Since it’s a software-as-a-service single-source multi-tenant system, the product is positioned as a means to reduce the IT deployment time, decrease maintenance and optimize usage expense for the firm’s client banks, many of which are small and can’t afford large deployments. The firm has also partnered with First National Technology Solutions to provide data hosting. “You can drill down into those areas and see what the risk rating was for loans by branch or zip code,” says Doug McGregor, WebEquity’s CEO, adding the dashboard also allows executives to identify loan officers who are approving a high amount of risky loans or struggling with other goals.

“In the past, no one really paid attention to it, now organizations are doing much more robust portfolio management,” says David Sisko, a director at Deloitte Consulting.

Execs can also stress test portfolio

based on localized variables, such as how changes in rent revenues at an office park impact an underlying commercial loan. “We’re trying to shock test our entire loan portfolio, to give us a better idea of what we need to be watching for,” says Chad Aberle, svp of lending for the Citizens State Bank, a \$110-million asset bank in North Dakota which recently began piloting WebEquity’s dashboard, also for agriculture loans. Aberle says in addition to being able to test loans more regularly to provide more up to date information than in the past, including myriad environmental and economic factors, such as the effect of weather on agricultural returns and pricing. “There was no way to do this kind of testing before.”

WebEquity, whose dashboard solution also covers commercial, construction, small business and consumer loans, is not alone in developing new Web-based risk management dashboards. Loan servicing platform providers like Fiserv, FIS and Shaw Systems are active in the space, as is Oracle through its Flex-

cube core banking product. “Dashboards are proliferating like rabbits,” says Ellen Carney, a senior analyst for Forrester Research.

Fiserv, for example, has developed a loss mitigation workflow solution that’s replaced application coding with customizable business rules to evaluate data to determine the reason for a loan’s default, the borrower’s financial information, property values, lien information and work-out-specific variables.

The product also includes a portfolio management center that blends all points of customer, vendor and intra-company contact into one process—including real-time executive and servicing manager dashboards that display critical metrics about the status of portfolio components. “This automates a tedious task of gathering information for reporting and providing a loan level analysis,” says Norwood Sloan, a vp at Fiserv, who says the firm’s product line also includes a new investors’ rules-based engine that enables buyers to conduct planning scenarios before determining an investment cut off. ■



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