



Applied Micro Technology, Inc. Navigating the CECL Landscape Made Easy



Chris Crawford,
President

As one of the most fundamental changes made to the financial institution accounting, current expected credit loss (CECL) has taken the banking industry by storm. Under the new model, banks need to account for both historical and current loss as well as the loss that is expected to occur in the future over the whole lifetime of a loan. This has presented several challenges for financial institutions struggling to measure expected credit losses. Financial institutions transitioning to CECL need to capture more granular loan-level data as well as new data elements and external forecast data. As a result, they require robust systems to aggregate data, calculate expected credit losses, derive provisions, and report on key risk drivers. Furthermore, CECL might require the use of additional data, more refined credit risk models, and greater internal modeling resources. Potentially, these processes and solutions are considered cost prohibitive. Currently, gathering all the information for loan approval takes about two to three hours of time. Effectively addressing these challenges is Applied Micro Technology, Inc. (AMT), a pioneer of loan portfolio management systems, that offers Loan Quality Assurance System (LQAS) to assist financial institutions of all sizes with document tracking, imaging, and loan review automation to simplify CECL measurement. AMT's solution automates all areas at the backend of lending to reduce the information gathering stage from days to mere seconds. In fact, the company is introducing new CECL specifications into its existing solution portfolio that will require minimal input from outside sources to operate. "Our new model will allow banks to play 'what if' to get CECL allocation as close to current Allowance for Loan and Lease Losses (ALLL) as possible saving enormous allocation expenses and we are offering the model at no additional cost," says Chris Crawford, president of Applied Micro Technology.

Getting Loan Information within Seconds!

AMT's loan portfolio management system, LQAS first tracks all documents and then seamlessly integrates the images and indexes them directly to their proper place

within seconds. The system can scan a pile of documents and properly place them in order instantaneously. Also, the use of an MSSQL database to store the image locations allows access to any requested image within 1-2 seconds. The system enables clients to track all credit documents with a checklist to avoid mistakes. Similarly, clients can easily keep track of all collateral documents with complete collateral value monitoring. The system provides a single environment to measure credit and collateral totals. AMT's LQAS also offers data on the guarantors including nonbank customers to get the details of total partial guarantees. Further, clients can import the bank's grading categories and record the history of all grade changes to establish review schedule based on debt and severity of grading. Note grading can also be used to establish ALLL factors as it allows clients to refer to grading history to track losses for CECL. LQAS then will enable clients to create steps from application to funding or decline while monitoring all requests at each stage.

Finally, LQAS solely runs on the banks' internal servers (versus the cloud) so that all safety or privacy issues are completely mitigated. To address the issue of time-consuming regulation reporting requirements, LQAS adds 70 percent of the information needed to create a report. This information is initially imported from the various systems in the bank. LQAS then handles document tracking, borrowing relationships, loan classifications with write-ups plus ALLL allocations, and collateral valuations. "Clients can simply import the other 30 percent of external loan data needed that resides on the core and generate any new report out of 400 formats within seconds," quips Crawford.

Managing Credit and Collateral Data on the Go

AMT brings the convenience to access all credit and collateral documents to the lender, loan assistant or inspector on their fingertips through its iPad app. Currently, if a lender visits a client onsite, they might take original or copies of documentation out of the bank. The documentation contains an enormous amount of sensitive information that could be disastrous for the bank



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if lost or misplaced. The iPad LQAS Loan Assistant allows the lender to securely carry all loan and customer information with them to various clients throughout the day. All needed borrower information again is only seconds away. The app can retrieve images from their demo system in less than two seconds even if the iPad is located in another country. Document imaging and the iPad app are options available if the bank wishes to add them.



Being founded and fully staffed by former bankers and/or regulators, AMT acutely understands the needs of financial institutions. As a commissioned bank examiner for over three years and a commercial lender for another three, Crawford is well-versed with the banking industry. He created the first commercial system to track loan documents to postpone or prevent bank failures. "Through my experience, I have understood and created a method which can minimize risk to the bank through LQAS," says Crawford. Moving forward, the company is thoroughly working towards releasing its CECL features in LQAS in the first quarter of 2019 that will be provided to existing clients at no additional cost. Crawford also believes that AMT's model will be a cheaper option for clients looking for a standalone CECL solution. With such innovations planned for the roadmap of the company, AMT is set to revolutionize the CECL scenario for banking institutions. **BC**