



## Protecting a Legacy

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**“IT’S LIKE INSURANCE. YOU HAVE TO HAVE THE RIGHT COVERAGE,”** Community Bank & Trust CFO Wes Dodd explained the bank’s decision to implement MST’s Loan Administration System to track and report on loan exceptions. “With a portfolio of \$800 million in loans, you must have an effective tracking system,” he said, noting the potential impact of single loan with unperfected collateral going bad.

That recognition and the subsequent willingness to do something about it is characteristic of Community Bank & Trust. The lead bank of \$1.2 billion Community Bankshares, Inc., rated the 21st largest financial institution in Georgia with over 50 full-service banks in Northeast and West Central Georgia and Alabama, has a long-established reputation for recognizing and seizing opportunity. The 107-year-old banking pioneer was the first in Georgia to establish a trust department, first to offer discount brokerage services and first to install automated teller machines.

It was also first in the U.S. to license supermarket banks, and the resulting subsidiary, Financial Supermarkets, Inc., took the concept of in-store banking to Europe.

Such a legacy affords the bank more than bragging rights. More than merely embracing innovation, Community Bank & Trust management has systematized the process of evaluating and making decisions about implementing new ideas and adopting new approaches. And the decision to implement the MST Loan Administration System was no different.

“We knew that everybody had to buy into using the system or it wouldn’t work,” Dodd noted. “And we have buy-in from everyone, from loan officers to the administrative personnel who do the tracking to the loan assistants who check credits and IT who has to implement the system.”

### An approach that begs updating

Early in the decade, Community Bank & Trust had purchased software to track exceptions. But it was difficult to use, and was employed sporadically. “We had different groups of people tracking things in different ways,” Dodd offered.

The problems were symptomatic of many of the attempts at tracking still in use at many community banks and indications of an approach that begs updating:

- Using the system is difficult; for example, if you don’t enter a specific document code for a car title, it doesn’t show up on the report. *The MST Loan Administration System automatically displays all exceptions related to a loan or all loans for a particular borrower or by exception type or other categories.*

- The software shows all documents related to a loan without distinguishing between current documents and exceptions. *The MST Loan Administration System displays document exceptions and deviations.*

- Reporting is irregular, difficult to interpret and unclear. *The MST Loan Administration System reports are easily the simplest to read, understand and work with of any system.*

- There is no functionality for entering comments. *The MST Loan Administration System allows users to make notes about follow-up activities related to each exception.*

- The software is more manual than automated, requiring requests to be entered for any and all loan information. *The MST Loan Administration System delivers exception information to the desktops of loan officers, assistants and administrative personnel automatically.*

The software also was unreliable, reported Loan Department Vice President Donna Dover, dropping active loans from reports “for no apparent reason.” That was reason enough for most in the loan department to find their own ways of hunting down exceptions, typically resorting to manual tracking.

When all was said and done, Dover summarized, “We simply didn’t know where we stood.”



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## A new system-wide approach

As Community Bank & Trust assessed various replacement products, most seemed no better than what they had been struggling with. Then came the MST Loan Administration System and tracking and reporting that was reliable, effective and, perhaps most importantly, substantially easier to use than any other system they had researched.

In the end, ease of use was what sold Community Bank & Trust on the MST Loan Administration System, and what proved its greatest asset. Because the entire loan department is comfortable with the system, it has served to unite the department's exception tracking and reporting – one system, used by the more than 50 loan officers and their support teams in 11 locations; one central, comprehensive system that has everyone from loan officers and their assistants to back-end personnel aware of loan exceptions and proactively working to resolve them.

“Loan officers can see when documents are going to expire and have the information at their fingertips when they talk with their customers,” Dover began. “Assistants follow up regularly. The board has reports that are current.”

Reports display information in a variety of ways so that those with access to the information can get just the information they need: by exception type, by loan, by borrower, even by attorney. They can specify a date range, so that those working exceptions can see what documents are coming due or will expire within that period of time. The MST Loan Administration System also issues letters to borrowers, their attorneys or other sources of documents to notify them of impending exceptions. So easy and flexible is the system, CFO Dodd pointed out, even the state auditors should be pleased.

“It's great to be able to go to a file and know that everything is there, and that this system will keep things from falling through the cracks,” Dover concluded.

## Warning Signs of Unacceptable Risk Levels

If the way you track and report on loan exceptions exhibits one or more of the following symptoms, your loan portfolio is probably subject to an unacceptable level of risk:

- You've been cited by regulators for, or notified by auditors of, an unacceptable level of loan exceptions.
- Regulators have informed you that you must increase your loan loss reserve.
- Loan portfolio reports are out of date by the time you see them.
- You're not confident that the exception reports you get are accurate.
- When you need a report, it takes more than the click of a computer key and a second to get it.
- You can't get one report that shows all your exposure to a single relationship.
- Tracking and reporting on loan documentation depends on an individual as opposed to an automated system.
- You, your senior managers, your lenders lack immediate access to loan files and exception reports.
- All your loan files aren't gathered in one place and aren't accessible from your computer.
- Access to customer and loan information is not protected from unauthorized people as well as you'd like.
- Evaluation of your lenders and loan staff are subjective due to lack of objective data.
- You and your team typically react in response to problems with loans as opposed to having the information you need to be proactive.

**To schedule a presentation or for more information, call MST today at 877.910.9789.**



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