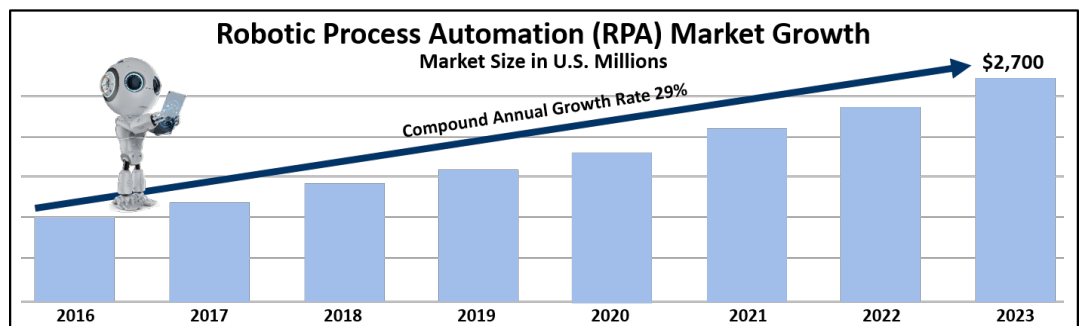# RPA: Automating the Future of Commercial Lending

Today's customer expects fast, seamless, and hassle-free access to loan services at a time, place, and channel of their choice. They seek loan products that suit their specific needs, available on their preferred channel and offered to them quickly and efficiently. This need for fast, "anytime, anywhere," real-time market demands are the primary drivers for digital transformation in commercial lending, with automation a central tenant of that transformation.

Commercial lending is one of the most paper-based, process-intensive, and people-intensive businesses in the industry. For just one simple loan you have origination teams parsing the deal, underwriting teams crunching the numbers, credit teams opining on risk and default probabilities, and so on, until it gets to operations for servicing, likely for years. All of this involves copious amounts of manual, repetitive processes that have the potential for countless points of error at human hands.

Looking to streamline the process, and deliver a competitive customer experience, the banking industry has been steadily adopting the needs for a digital transformation for its overall ecosystem. Along with replacing patchwork, outdated processing solutions with cohesive, straight-through processing technology, banks are actively looking to what advantages modern technology, such as real-time payment solutions, can provide. In the past few years, this has included a growing interest in Robotics Process Automation (RPA) in order to speed up work processes and protect information through automation.

Growing Desire for Digital Automation

RPA and robotics technology has been around for at least a decade in one form or another. As its usage and popularity continue to grow, its capabilities continue to evolve and advance. As processors, desktop, and laptop computers advance in horsepower, memory, and

Robotic Process Automation (RPA) Market Growth
Market Size in U.S. Millions
Compound Annual Growth Rate 29%
$2,700
2016 2017 2018 2019 2020 2021 2022 2023

overall sophistication, the mechanics of robotics advance as well. In tandem to this growth, robotics tool sets also continue to advance—the computer and network software that drive robot actions and performance and the languages and parameters in which their applications are developed.

As this chart shows, the market and usage of robotics technologies and applications are expected to continue to grow impressively. But what explains this consistent and impressive growth? It's simple: the technology is affordable, the tool sets and hardware produce impressive results, a lot of money and productivity can be saved, and development and implementation of robot and robotics applications is generally fast and straightforward.

RPA and Robots: Virtual Workers with Real-World Advantages

Robots are actual computers that complement the human staff, running specialized software to perform the programmed task and interacting with just about any bank application system. They perform relatively simple, rule-based, repetitive tasks, allowing bank staff to focus on more complex business decisions that require subject matter expertise and judgement. The most common integration for robots are to replicate the repetitive actions of system users, performed via integration between RPA and the UI, although there are some RPA applications that are designed to integrate with bank systems on a more technical level, such as direct database access or API usage.

What Can Robots Do?

Banks are turning to RPA to create and maximize process and operational efficiencies. But what tasks are best suited to robots? To capitalize their impact on productivity, the best candidates are:

Repetitive
Tasks should not have a lot of variability.

Predictable
The outcome of the task should be very predictable.

Simple/High Volume
Tasks should not be overly complex, they should be basic and high volume.

Definable
Capable of being broken down into individual steps, with each step clearly defined.

Remember: Tasks that take a long time to run or complete are usually too complex for most robotics toolsets and/or require judgement and experience only humans can provide.

The simplest way to think about robots deployed through RPA is as virtual co-workers. In order to access other bank systems or databases, which is what most RPA applications do, robots and their software have to be set up as system users, with their own legitimate entitlements (view only, update, etc.). So, robots are fully entitled and restricted entities, just like the humans who have access to the bank's application systems.

As with their human counterparts, robotic coworkers also require governance, oversight, and the occasional job re-assessment and assignments. Given that most robotics applications are programmed to deal with systems' UIs/screens, changes are often required to the robotics applications whenever certain parts of a UI change. In some cases this would be frequent, and require changes/maintenance to the robotics applications in turn. Also, if business processes surrounding a system or robotics application change (and most do over time), the robotics application itself could require change/maintenance. Given the power and speed of robotics applications, it's easy for "bugs" to go unnoticed, at least for a while. And during this time, when a "faulty" application is in use, a large number of costly errors can occur.

Without guidelines, certain standards, rules, and/or approval processes (or some combination thereof), robotics technologies and applications can proliferate in businesses with uneven results, and even costly mistakes. Additionally, certain applications, regardless of the toolset used could be seriously problematic, and cost more to maintain than they save the business, based on poor design, and/or development.

Automated Success in Commercial Lending

Even with that potential, many banks have seen the rewards far outweigh the risks. Many have been able to reassign staff to more complex matters, not fill open recs, or take on more volume with the same staff because they have found that robots can perform repetitive, predictable, high-volume tasks more efficiently—benefiting quite a few areas of commercial lending lifecycle management.

Onboarding

Loan boarding can be a time consuming process with all of the information that needs to be captured, processed, and disseminated throughout the organization. Robots can be used to streamline this process while at the same time virtually eliminating errors that can cost time, money, and potentially a customer.

In one bank's small business organization, the origination system creates a PDF of boarding sheets that represents the fields that need to be booked to the loan system. A robot reads the PDF and translates the fields to a workflow. The workflow is then used to house the data ready for booking. A human validates the information in the workflow to the PDF documents prior to booking to make sure the loan will be set up correctly. This process has been especially useful considering the volume of PPP loans that have been approved and closed over the past year.

Data Processing and Information Capturing

A major source of errors, at any step in the process (particularly if the system does not employ straight-through processing) is in data entry. Properly programmed robots can and do eliminate the "human error" factor by populating the required information without fear of keying mistakes.

In one bank's front office, RPA is employed to successfully mine information from their CRM to queue up work for the underwriters once the CRM contact becomes a viable lending prospect. This eliminates re-keying of the same information that may already be in the CRM for this lending opportunity. Here, the robot assists in both eliminating re-work and a potential point of error.

Locating/Processing Documentation

As anyone familiar with the commercial credit process knows, the majority of transactions and work is not necessarily around new loans but various types of transactions, such as post-closing document reviews, renewals, and modifications on existing loans. Often, there is considerable effort to manually search for and find the relevant loan documents, which is critical to performing the appropriate credit actions. Here, again, is a perfect area to deploy robots.

One real-world example is using robotics to perform a post-closing document review. After the loan closes and the legal documents have been submitted and stored to the image system, a robot searches for the documents and compares certain fields to that on a document checklist to make sure they have been received from closing. The robot compares the fields on the documents to determine if there are any exceptions that a human needs to follow up on.

Basic Communication

There are copious types and amounts of notices, letters, emails, faxes, etc., produced through the lifecycle of a commercial loan. The amount of time saved automating basic communication where feasible is more than appreciable, and also frees up human workers to fulfill more complex tasks.

One bank has seen these benefits by using a robot to take information produced by the loan system, for example a financial statement due date, and producing a notification letter to the borrower. Other letters that are good fits for robotics include insurance letters for forced place and continuations where a robot could examine the tickler date for the insurance and then produce the letter.

Loan Closing

Some say that paying off a loan requires more work, internally, than it takes to actually book the loan. One bank has come up with a creative way to use robotics to determine if a loan can actually be closed and collateral released. The robot examines the status of a loan where the balance is paid to zero and determines if it has any collateral tied to it or if the collateral is tied to another loan. If not, then it performs the task of pulling the information into a queue for a human to approve the release and perform the actions associated with releasing the collateral.

Making an Impact Throughout the Lifecycle

These are just a few areas in which robotics has already proved helpful, but the list is by no means exhaustive. We have seen robotics deployed for system updates, work re-assignments, applying late charges and payments, processing waiver requests, updating index and borrowing base collateral value, receiving and applying notices— the possibilities are virtually endless across all commercial lending lines of business, from small business to complex syndications. As long as it is repeatable, predictable, simple, and definable, a task is a prime candidate for RPA.

Employing RPA Successfully

A commercial loan system is a central part of any bank's ecosystem. Building digital, automated connectivity between and within the lending process is paramount to creating efficiencies, reducing data entry, and the potential for errors. As more vendors "open up" systems and make it easier to integrate, the commercial lending process will turn the final corner into the digital world soon, creating real-time integrations and frictionless customer experiences.

There are a variety of technologies, vendors, and systems available to help banks implement automation into existing processes and systems. For those organizations that have not started on the digital automation journey, we have seen how RPA is a way to gain experience and work in an agile way towards creating efficiencies in commercial lending. With a dedicated internal team that can be focused on the technology, there are many opportunities to improve processes with automation, and RPA specifically.

It is easy, and appropriate, to get excited about all of the prospects that RPA can bring. It is also important to remember the necessity of governance to control the proliferation of the robots. Part of that governance is making sure that each application has some form of justification by way of a business case and that there is a management sponsor of the robot who is responsible for it and can speak to its "care and feeding." One bank that uses robotics fairly extensively have named them and also includes the robots on their departmental organizational charts so they are not forgotten.

Likewise it is important to always keep in mind the impact a robot may have on the staff. The more robots are embraced as part of an overall team, and the employees see the robot doing tasks that they did not like to do themselves, the more it creates a win-win situation. Staff should be encouraged to help come up with ideas on what might make successful use of robots and even help with the design. After all, it's the employees that know how to do the job best and how they would react in different situations. It's all about replacing the robot in people, not about how to replace the people themselves. Presented and managed this way, RPA brings in possibilities that will help both the bank, and its human workers, achieve the next level of success.

About Automated Financial Systems, Inc.

Automated Financial Systems, Inc. (AFS) is the global leader in providing commercial lending solutions to top-tier financial institutions. We work with a majority of the world's 50 largest financial institutions to build lending processes based on a straight-through model and on-demand technology and services. We partner with client banks around the world to understand their organization's strategic goals and work proactively to achieve their business, regulatory, and technology objectives.

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