

Five Ways PPP Accelerates Commercial Lending Digitization

By: Charles Rierson | September 2nd, 2020



The Small Business Administration's Paycheck Protection Program challenged over 5,000 U.S. banks to serve commercial loan clients remotely with extremely quick turnaround time: three to 10 days from application to funding. Many banks turned to the internet to accept and process the tsunami of applications received, with a number of banks standing up online loan applications in just several days. In fact, PPP banks processed 25 times more loan applications in 10 days than the SBA had processed in all of 2019. In this first phase of PPP, spanning April 3 to 16, banks approved 1.6 million applications and distributed \$342 billion of loan proceeds.

At banks that stood up an online platform quickly, client needs drove innovation. As institutions continue down this innovation track, there are five key technology areas demonstrated by PPP that can provide immediate value to a commercial lending business.

Document Management: Speed, Security, Decreased Risk

PPP online applications typically provided a secure document upload feature for clients to submit the required payroll documentation. This feature provided speed and security to clients, as well as organization for lenders. Digitized documents in a centrally located repository allowed appropriate bank staff easy access with automatic archival. Ultimately, such an online document management "vault" populated by the client will continue to improve bank efficiency while decreasing risk.

Electronic Signatures: Speed, Organization, Audit Trail

Without the ability to do in-person closings or wait for "wet signature" documents to be delivered, PPP applications leveraged electronic signature services like DocuSign or AdobeSign. These services provided speed and security as well as a detailed audit trail. Fairly inexpensive relative to the value provided, the electronic signature movement has hit all industries working remotely during COVID-19 and is clearly here to stay.

Covenant Tickler Management: Organization, Efficiency, Compliance

Tracking covenants for commercial loans has always been a balance between managing an existing book of business while also generating loan growth. Once banks digitize borrower information, however, it becomes much easier to create ticklers and automate tracking management. Automation can allow banker administrative time to be turned toward more client-focused activities, especially when integrated with a document management system and electronic signatures. While many banks have already pursued covenant tickler

systems, PPP's forgiveness period is pushing banks into more technology-enabled loan monitoring overall.

Straight-Through Processing: Efficiency, Accuracy, Cost Saves

Banks can gain significant efficiencies from straight-through processing, when data is captured digitally at application. Full straight-through processing is certainly not a standard in commercial lending; however, PPP showed lenders that small components of automation can provide major efficiency gains. Banks that built APIs or used "bots" to connect to SBA's eTran system for PPP loan approval processed at a much greater volume overall. In traditional commercial lending, it is possible for data elements to flow from an online application through underwriting to final entry in the core system. Such straight-through processing is becoming easier through open banking, spelling the future in terms of efficiency and cost savings.

Process Optimization: Efficiency, Cost Saves

PPP banks monitored applications and approvals on a daily and weekly basis. Having applications in a dynamic online system allowed for good internal and external reporting on the success of the high-profile program. However, such monitoring also highlighted problems and bottlenecks in a bank's approval process — bandwidth, staffing, external vendors and even SBA systems were all potential limiters. Technology-enabled application and underwriting allows all elements of the loan approval process to be analyzed for efficiency. Going forward, a digitized process should allow a bank to examine its operations for the most client-friendly experience that is also the most cost and risk efficient.

Finally, these five technology value propositions highlight that the client experience is paramount. PPP online applications were driven by the necessity for the client to have remote and speedy access to emergency funding. That theme should carry through to commercial banking in the next decade. Anything that drives a better client experience while still providing a safe and sound operating bank should win the day. These five key value propositions do exactly that — and should continue to drive banking in the future.



Charles Rierson is managing principal at Abelian Partners, a management consulting firm focused on commercial lending and technology for banks. He has been in banking for over 20 years and was formerly chief operating officer at Regions Capital Markets.