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Optimizing the Loan Origination Process: Best Practices and Lessons Learned

June 16, 2017

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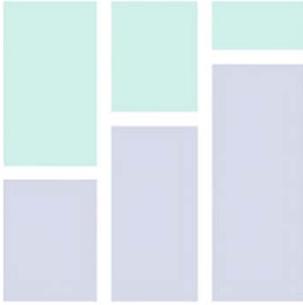
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What we'll cover today

- Introductions
- Change Management Stats
- JumpStart Process Overview
- Fireside Chat
- Open Discussion

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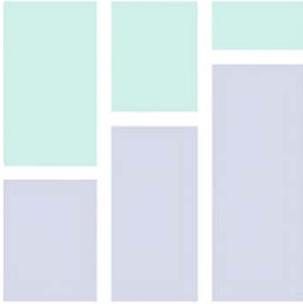
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Panelist Introductions

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Kathy Leone |



Michael Lattery |

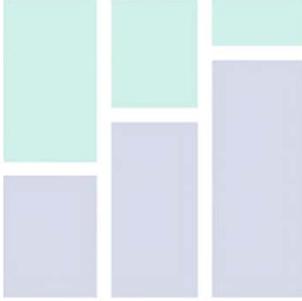


Nick Elders |



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Change Management Statistics

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Change initiatives

- 50 – 75% of all change initiatives (re-engineering, six sigma, new tech, new culture, etc.) **FAIL**
 - If I told you to change how you get to work tomorrow, would you?
 - With so many failed change attempts around, you'd think there would be more literature on the topic – short answer: There's not.

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Commonly held beliefs regarding change

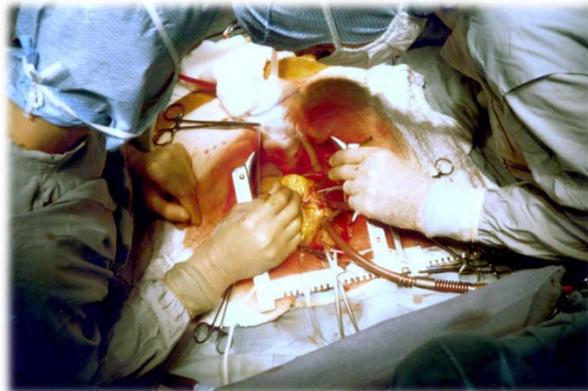
- 1) "If I am an effective leader, I can motivate my staff to change."
- 2) "I can make them change by explaining things in a way where they'll understand it."
- 3) "If I know what it takes to make an individual to change, then I'll have the tools needed to make sure the organization changes."

These beliefs generally make up the "motivational theory of change". When used alone, the motivational tools do not work.

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Motivation example

What is this?

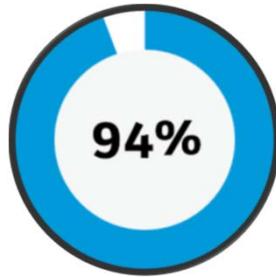


Answer: Cardiac bypass

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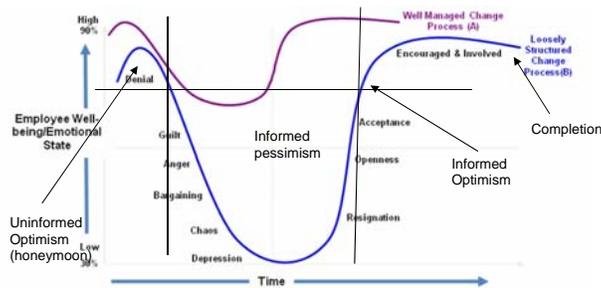
Motivation example

What percentage of cardiac patients do not make the changes necessary to reverse heart disease?



- Don't they have the largest incentive to change?
- Example: My Dad

Typical change lifecycle



Uninformed Optimism: Excitement and intrigue
 Informed Pessimism: Things aren't all that easy after all

Informed Optimism: It's not as bad as I thought it would be.
 Completion: Relatively steady, realistic and workable solution.

“Humans great at adapting, not great at changing.”

■ Anthropology 101

- 1) Culture is made up of concrete, observable behaviors
- 2) A powerful vision is behavioral in nature
 - Behavior is most easily defined as things you can actually see, hear or describe
 - In order to relate to our fellow humans, stories become important
 - Most plans are not visions, because a vision is behavioral

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To affect change, focus on changing behavior

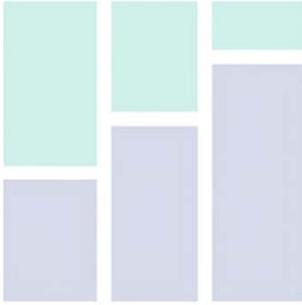
Transformational change doesn't often stick because the environment surrounding the change remains the same

- This sends contradictory signals to the individuals going through the change
- The environment may even put up active barriers making the change even more difficult

Some Examples:

- NFL Football and Concussion Safety
- Quitting Smoking
- Losing Weight

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JumpStart Background

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JumpStart Overview

CRF JumpStart
Process Optimization Assessment



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Shared challenges across JumpStart(ed) CDFIs



Manual, paper-based processes



Fund source management



Fragmented Systems Landscape



Inefficient Technology Management



Nascent business intelligence and performance measurement



Stressed servicing and post-closing operations



Staff stretched too thin



Lack of scale

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JumpStart Format

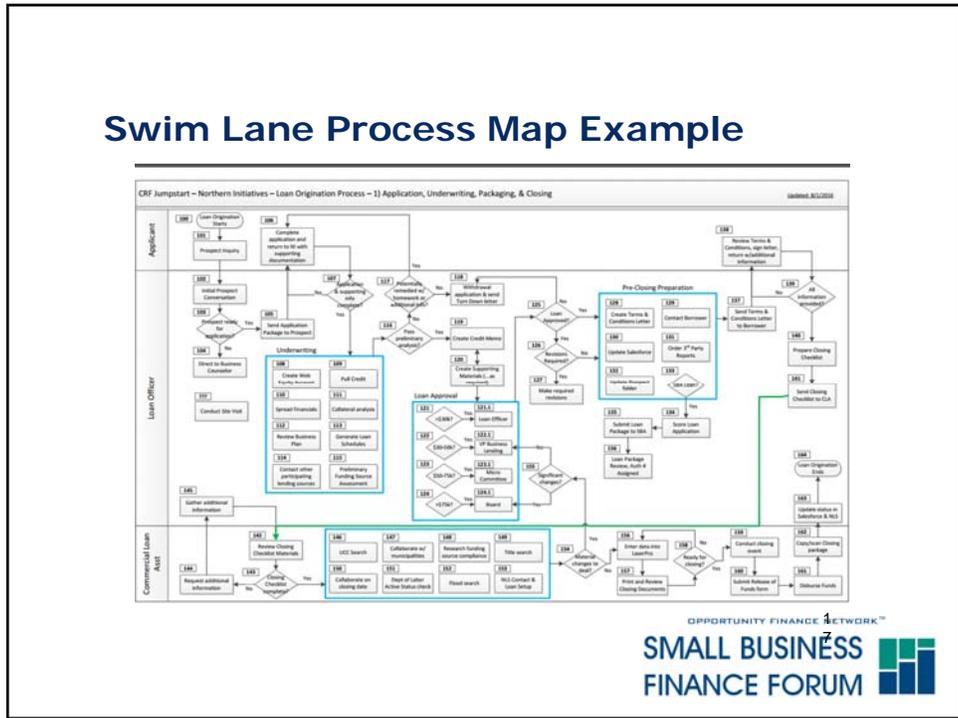
CRF JumpStart
Process Optimization Assessment

Here's how it works:

- There are no wrong answers
- It's a safe environment
- We map out the current process in place
- We find "the right level of detail" that works for everyone
- As we go, we identify areas ripe for optimization
- Each group gets an opportunity to provide their input in the SSK format
- Remember: There are no wrong answers!

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Swim Lane Process Map Example



Executive Summary Example

Executive Summary

The Community Reinvestment Fund (CRF) Jumpstart assessment team was invited to partner with the lending team to conduct an assessment of NI's loan origination business process in an effort to identify operational improvement opportunities. This assessment, called the CRF Jumpstart, is designed for lending institutions struggling with loan origination inefficiencies, uncertain of technology's role within the operation, and are unsure how to properly assess their loan origination life-cycle. Through a series of interviews and discussions, the CRF Jumpstart methodology assembles current state documentation, business flowcharts and key staff feedback. This documentation and feedback allow us to identify operational improvement opportunities, future state operational goals, and a roadmap of suggestions for meeting those goals.

Goal → identify loan origination opportunities that will improve process accuracy, consistency, and staff effectiveness, decrease the origination timeline, and improve the customer/borrower experience.

An abundance of information was gathered during the two-day CRF Jumpstart assessment. A summary of the findings and a roadmap of suggested next steps includes:

Primary Identified Challenges

Process

- Duplication of effort due to lack of system and tool integration
- Funding source determination timing inconsistency
- Funding source management (rules, availability, visibility)
- Largely manual, paper-based, processes
- Alignment of sales and internal closing staff needed related to meeting externally communicated closing dates
- General lack of process governance and enforcement
- Portfolio Quality Review process and loan rating system
- Lack of documented standard operating procedures

People

- "1 deep" in critical staff positions
- Credit Analyst role served by interns with high turnover rates
- Role and accountability changes needed for growth
- Process improvement consulting fatigue present in key staff due to lack of implementation and enforcement
- Ownership and enforcement of data accuracy, quality and process rules

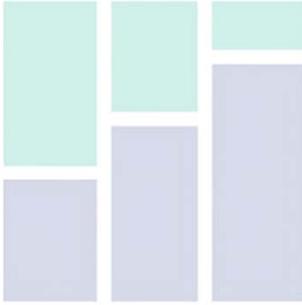
Technology

- Lack of fully integrated systems and tools used across the loan origination lifecycle
- Secure document and information transfer solution lacking (primary document transmission is insecure email)
- Shared software platforms with past affiliates
- Internet bandwidth limitations (both for remote and local users)
- Absence of true corporate intranet and collaboration tool
- Inconsistent usage of Salesforce for pipeline management and reporting

Customer/Borrower

- "Unbankable" customers will continue to need relevant and current educational offerings
- Business coaches are not directly tied to borrowers' business plans, financial covenant management or financial reporting monitoring
- Absence of baseline customer satisfaction with loan origination process
- Depending on who the applicant works with, the origination process may be different
- Business advising often reactive vs. proactive



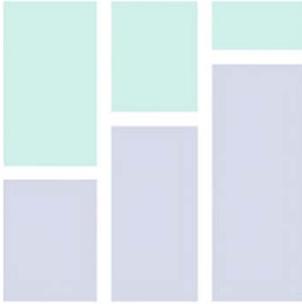


Fireside Chat



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Open Discussion

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