

Case Study

CASH CRE™

Financial Services

CASH CRE™ Helps The Milford Bank Mitigate Risk Through Commercial Loan Stress Testing



Background

The Milford Bank's history dates back to 1875 when the bank first opened its doors, keeping its initial deposits in a wooden cigar box. More than 140 years later, the bank is still serving the residents of Connecticut with six branch locations and an asset value of approximately \$430 million.

When it comes to commercial lending, The Milford Bank has experienced steady growth over the years. Commercial lending currently makes up about 42 percent of the bank's total asset value. The majority of its commercial lending activities are in real estate, term loans, lines of credit and condominium association loans. The bank's eight person commercial lending department typically originates about 12-to-15 loans each month.

Why Choose CASH CRE™?

Since the financial crisis, commercial real estate (CRE) loans as well as all other commercial loans, have been significantly impacted by a number of external events, shifting a previously stable portfolio into one that puts the financial institution at risk. As a result, regulators have strongly encouraged financial institutions to implement stress testing monthly rather than annually.

With bank examiners increasingly asking financial institutions about their stress testing programs, Larry Leete, Vice President of Commercial Lending at The Milford Bank, sought to be more proactive in the bank's efforts.

Already using 8 of the nine modules in Wolters Kluwer Financial Services' CASH Suite™ commercial lending solution, The Milford Bank's commercial team selected CASH CRE™ to help quantify risk factors and better manage the overall performance of its portfolio. CASH CRE is a scalable analytical tool that facilitates the initial underwriting for commercial real estate loans and provides the framework for lenders to analyze historical, current and future debt to achieve maximum performance.

"The bank didn't perform any stress testing before implementing CASH CRE, but we were anticipating what might be around the corner," said Leete. "Not only does this help our bank leaders manage risk at a more granular level,

it provides analytics that allows us to forecast how our portfolio will react under different scenarios.”

“We all know that stress testing isn’t going away, and if it needs to be done, you may as well do it right. CASH CRE does it right.”

Larry Leete
Vice President of Commercial Lending

In addition, CASH CRE helps The Milford Bank improve its forecast accuracy. Lenders can analyze commercial real estate property by type, geography and segment as well as repurpose any data for detailed analysis, comparison and reporting. By allowing lenders to “drill down” into the data in its portfolio, The Milford Bank can assess volatilities before they happen, enabling the bank to take appropriate strategic action, whether it means adjusting its lending practices or increasing its capital reserves.

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Results

With CASH CRE in place, The Milford Bank has avoided many of the “surprises” that can impact a financial institution negatively.

“Not long after implementing CASH CRE, we had our first regulatory exam. “The best approach is demonstrating to regulators that you are on top of things by proactively conducting stress testing to optimize the performance of your overall commercial lending portfolio.” “This was accomplished through the use of CASH CRE”, said Leete.

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