

CASE STUDY

A Financial Client Finds Confidence in Auto Continuation

INTRODUCTION

The Value of Extending Perfection

How can a lender ensure that the protections it puts in place through Uniform Commercial Code filings (UCC-1s) are maintained over time? Traditionally, the answer has been to assign an employee or group to manually monitor and address expiring UCC-1s and file the appropriate continuations with UCC-3s. But, this entails inherent risks: As personnel change, oversight can lapse, and with employees increasingly responsible for a greater workload, keeping up with expiring UCCs can get lost amidst everyday demands. That's what our client, a small-sized bank, found. They generally filed 30 to 40 continuations a year, thereby preserving the perfection that the UCC provides. While this may not represent a particularly high volume, letting any one filing lapse can have pronounced negative impacts for a business – especially if perfection on a large loan is lost. Even if a company like our client re-files, it risks losing that lien position and, by extension, risks losing the collateral. That's why our Auto Continuation service has become an important part of our client's overall lien management approach.

SITUATION

From One to Done

Previously, a single employee in Loan Operations would monitor filings with end-dates coming up. But, when this employee left the company, management eventually realized that no one was focused on watching expiring liens anymore. While this may sound like a fairly basic oversight, with the division of labor in loan departments, it's actually an easy predicament for a company to find itself in. As the client notes: "We were briefly exposed when our SME left the company and it came to our attention later on." Previously, the responsible employee would pull a pending expiration report from iLien every month to determine all filings expiring in the next six months. The list would then be e-mailed to the client's five loan administrators, who would identify their customers on the list and make decisions about whether to continue, terminate, or let the lien expire. For liens to be continued, loan administrators would manually do the continuations. While these can be accomplished quickly – often taking only a few minutes – administrators still had to be careful to look at the list, identify their customers, and then make the appropriate decisions about what to do with the liens. What was needed was a more surefire way to ensure that, where appropriate, liens would be continued without the risk of a loss of perfection.



SOLUTION

Coming Down on the Side of Caution

One of the things that Lien Solutions aims for is speed to solution. In this case, we began conversations with the client in September and gained approval in just a few months. Use of Auto Continuation began at the beginning of the year. The impacts were felt immediately. Many of the client's loans are longer-term – with terms up to 25 years – so continuation is the default in these cases. Because of this, the client's inclination is to err on the side of caution – it would rather accidentally continue a lien than accidentally let one lapse. It's much easier to go back and terminate without any consequences or negative impact than it is to re-file an expired lien. Beyond the practical benefit of safeguarding perfection, Auto Continuation also provides client loan administrators with valuable peace of mind. Because they trust the system, they don't have to worry about something falling through the cracks and expiring inadvertently. At the same time, because they don't have to worry about a lien lapsing on a technicality, loan administrators and supervisors have more time to focus on their customers. Our Auto Continuation service also supports the client's compliance and audit functions. Because they are assured that the process has been handled correctly, they can be confident that they aren't exposed to risk. What's more, because all the relevant information is stored in iLien, it's easily accessible to them.

RESULTS

Auto Continuation for Continuing Confidence

The adoption of Lien Solutions' Auto Continuation has led to benefits ranging from peace of mind to process improvement – as time-consuming and sometime costly steps were eliminated from the workflow. With Auto Continuation 'turned on' for its account, the client now receives notification of all liens expiring. We set up the system so that notifications are sent to all five loan administrators: This means no one has to manually create and distribute the list, and then make sure to collect everyone's responses and decisions about how to handle expirations. Simple process improvements like this save time and resources while ensuring that nothing falls through the cracks. Because the client continues the vast majority of its loans and terminates only a few, the system is set with the preference to 'continue all.' Again, this creates inherent confidence by removing the concern that liens will inadvertently expire. Simultaneously, it saves time because employees need only review the exceptions rather than every expiring lien. Although the system is automated, the client still retains essential control, with loan operations handling all lien terminations. The ultimate benefit is confidence. As their SBA Loan Administrator notes: "[Auto Continuation] takes the possibility of us losing our collateral out the equation."



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