

Managing Commercial Real Estate as a collateral asset class

If you have an interest in:

- Commercial real estate
- Corporate/commercial lending
- Enterprise risk management
- Structured lending
- Capital reporting
- Credit risk modelling / stress testing
- Data analytics



COLLATE helps banks to handle the complexities of Commercial Real Estate (CRE) lending, ensuring the correct management and maintenance of income-producing real estate collateral in order to optimize the business opportunity and to reduce risk.

COLLATE provides a single, integrated golden source for all collateral data, enforcing workflow processes and supporting credit risk management and reporting. Perfection, maintenance and risk management of complex loan structures is fully automated with COLLATE, exposing valuable business insights and operational efficiencies – from credit application to final release. With COLLATE, lenders can avoid being left open to unforeseen and unnecessary risk.

COLLATE, backed by Rockall’s expertise in banking book collateral management, offers a unique data model which drives data aggregation and enables accurate reporting across even the most complex lending structures. Driving significant operational efficiency, COLLATE achieves benefits through the credit value chain from operations and underwriting to LGD metrics, stress testing and capital reporting.

Integration is made easy with out-of-the-box APIs, facilitating adoption whether in a particular business line or across the lending book, all designed to safeguard collateral, reduce credit risk and support regulatory compliance.

“Aggregate credit data via a 360^o view of all collateral and loan relationships through the credit lifecycle”

“Safeguarding over \$3 Trillion worth of collateral ...every day”

Handling complex Commercial RE loan structures

CRE is a broad-ranging asset class with unique characteristics which affect collateral management. For example, the value of the property is not solely vested in its underlying appraised value; rent roll, occupancy, quality of anchor tenant etc. all influence the quality of asset as collateral.

Some of the challenges associated with managing CRE collateral include:

- Lack of visibility over, or gaps in, the many-to-many relationships associated with complex loan structures: collateral, accounts, liens, exposures etc.
- Incorrect recording or classification of asset types, resulting in lost or reduced capital reliefs
- Failure to adhere to the correct loan perfection and workflow processes, resulting in unsecured loans, inadvertent release of collateral and manual error
- Inaccurate or out-of-date asset valuations resulting in mis-stated LGDs, resulting in inaccurate RWA estimates and capital adequacy statements
- Inability to offer credit policy exceptions and other lending policy flexibility as may be strategically required

COLLATE, from Rockall, supports the management of CRE collateral, handling all of the many attributes and relationships necessary to comprehensively express the multi-dimensional aspects of this asset class.

COLLATE is a powerful information engine, delivering data integrity and enforcing consistent workflow implementation. More than that, COLLATE enables the bank to harness this data for strategic and business insights and for the accurate and efficient reporting of essential information including LGD and valuation data sets.

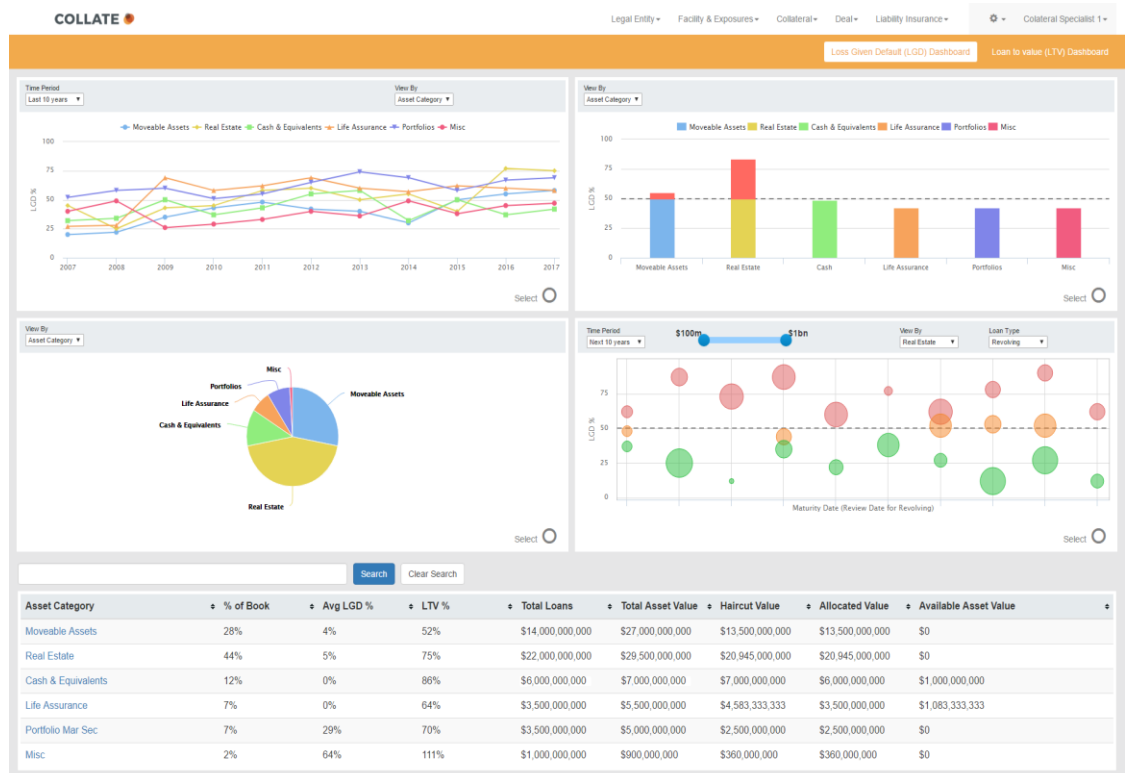


Figure 1:
COLLATE dashboard
COLLATE delivers a unified view of collateral in the loan book, with granular drill down to any level of detail needed

A unified view of Real Estate across the loan book

Collateral connects the loan data, delivering 360° visibility across the loan book

COLLATE unites all of the borrowers, guarantors and individual real estate assets associated with a loan, together with the encumbering instruments and reveals the relationships that underpin credit facilities and individual exposures.

Figure 1 below illustrates how COLLATE’s data model delivers a logic tree showing all of the relationships and links associated with each piece of collateral, all with granular drill-down. This data model enables the tracking and tracing of all loan relationships through the loan book – at a click.

Actions	Information	Status
	Legal Entity Lakeside Developments Inc [CLT - 51...	Active
View Edit	Asset Lakeside Development [UCC - 4675-...	Draft - Awaiting Reg
View Edit	Deal Lakeside Developments Agreement...	Active
View Edit	Exposure Vehicles [LIQ - 8897652AF-13] - Line...	Active
View Edit	Lien Construction fleet filing [UCC - 7856-...	Active-Pending Perfection
View Edit	Asset Construction Fleet [CLT - 5169] - Veh...	Active-Pending Perfection
View	Valuation Value: USD 90,000,000.00, Type: Coll...	Active
View	Valuation Value: USD 120,000,000.00, Type: M...	Active
View Edit	Facility Lakeside Developments [LIQ - 88976...	Active
View Edit	Deal Lakeside Developments Agreement...	Active
View Edit	Lien Lakeside development Filing [StateFl...	Draft - Awaiting Reg
View Edit	Asset Lakeside Development [UCC - 4675-...	Draft - Awaiting Reg
View	Valuation Value: USD 2,550,000,000.00, Type:...	Active
View	Valuation Value: USD 1,810,500,000.00, Type:...	Active
View Edit	Exposure Equipment purchase and hire 2015 [...	Active
View Edit	Lien General filing over Lakeside equipm...	Draft - Proposed
View Edit	Asset Equipment [CLT - 5175] - UCC General	Draft - Proposed
View	Valuation Value: USD 250,000,000.00, Type: Co...	Active
View	Valuation Value: USD 350,000,000.00, Type: M...	Active

Figure 2:
COLLATE’s collateral tree
COLLATE’s data model delivers a logic tree exposing all relationships and links associated with each piece of collateral, with granular drill-down

Unique out-of-the-box integration capability

Integrates with all mainstream banking systems, making it easy for banks to deploy with minimal effort

Core banking systems are intricate and frequently dispersed, they often include legacy systems and reflect the evolution of the bank over time. This complexity makes tackling collateral management a difficult effort, requiring involvement and buy-in from many stakeholders.

COLLATE’s unique collateral information layer sits alongside many banking systems – both mainstream commercial applications and in-house development systems.

Commercial RE collateral management is straightforward with COLLATE’s “pull” integration capability. The retrieval of information from the bank’s applications is initiated via standard UI functionality & COLLATE’s configurable APIs. As a result, the Integration development effort is

“Consolidating data from over 24 dispersed systems for a major international bank”

Case study #1 Managing complex loans to reveal added lending capacity, manage capital costs and expose fraud

This Bank's CRE book was extremely complex with many cross-collateralized loans. Processes were manual and the underlying data was incomplete, inaccurate and had gaps.

With COLLATE, the Bank has a stable and centralized collateral management system operating across all of their loan books, encompassing every asset class. The Bank can now verify, value and test against risk appetite systematically and accurately.

As a result, the Bank can:

- Improve portfolio management by differentiating collateral on the basis of quality, with an emphasis on commercial collateral where recovery rates and safer returns are higher
- Optimize pricing models for the market by taking good quality collateral at accurate values: reducing recovery costs, reducing capital costs and reducing the price to the client
- Shape the portfolio for the future by optimizing capital utilization and provisioning
- Identify all cross-account / collateral relationships in order to expose potential fraud or inadvertent over-lending
- Identify opportunities for additional credit

achieved with COLLATE, minimizing the need for bank development. The need for heavy development on the bank's side is reduced, in turn reducing the overall cost of installation.

COLLATE integrates easily by removing the bank-side development and data mapping requirements.

COLLATE functionality

Thought leadership is baked into COLLATE technology and capabilities

COLLATE is a configurable, on-premise product which automates collateral management processes and workflow. Supporting multiple identifiers, COLLATE delivers a single unified view of collateral and exposures across the loan book throughout the credit lifecycle. COLLATE helps to aggregate data, report on LGDs and builds the data sets needed for stress testing and historic reporting.

Complex deals and cross-collateralisation

COLLATE supports multiple identifiers, providing for multiple assets securing multiple products and complex credit structures. Searching and aggregating is easy and delivers a unified view of a multi-asset loan, loans secured by a particular asset, or multiple loans secured by a particular guarantor.

Support for complex ownership

COLLATE supports the management of complex ownership of property where multiple counterparties share cross-ownership of various assets. COLLATE presents a single view of all parties pertaining to each asset, showing their roles and relationships with this loan – and others with which they are associated.

Real estate assets and classifications

COLLATE delivers configurable individual sub-classification of asset types, each with its own business rules and data validation, credit policies, perfection processes and lifecycle monitoring and alerts. A rich data set of granular real estate attributes is generated and maintained for each asset. This enables complete flexibility in setting up and reporting on assets and exposures.

Lien registration and collateral perfection

COLLATE's configurable workflow functionality ensures accurate and enforceable legal encumbrance of real estate assets using the correct process and data unique to the specific legal instrument.

In complex real estate deals, a single instrument can encumber multiple assets. COLLATE provides continual status tracking of each asset in the event of partial release. COLLATE also facilitates automated submission

to title companies and registration authorities and provides support for tracking of senior and additional lien holders.

All registration and document activity, events and instrument registration, data and legal priority is recorded in COLLATE, from initial perfection through the credit lifecycle to formal release, ensuring accurate collateral status and maintenance.

Commercial RE A broad-ranging asset class	COLLATE A repository of critical loan data	COLLATE Asset valuation & financial performance data
Residential property Commercial property Industrial property, buildings & warehouses Malls & retail stores Office buildings, medical centers, etc. Hotels Multi-family housing Farm land	Detailed address data with geo location Land and building owner occupancy Vacant or improved Tenants and leasing data Flood zone determination Environmental information Tax contracts Reporting codes & descriptions for refined classification Data filters for tagging to specific jurisdictions or LOBs	Manual appraisals Property indexation Rent rolls Calculated recovery Rebuild values Multiple alert thresholds Insurance coverage

Credit policies and asset valuations

With COLLATE, banks can manage the rating and financial viability of the CRE asset and actively monitor thresholds. Configurable haircut rates per asset type are enabled for specifying credit policy advance rates, recovery rates, internal reporting rates, alert thresholds and covenant amounts.

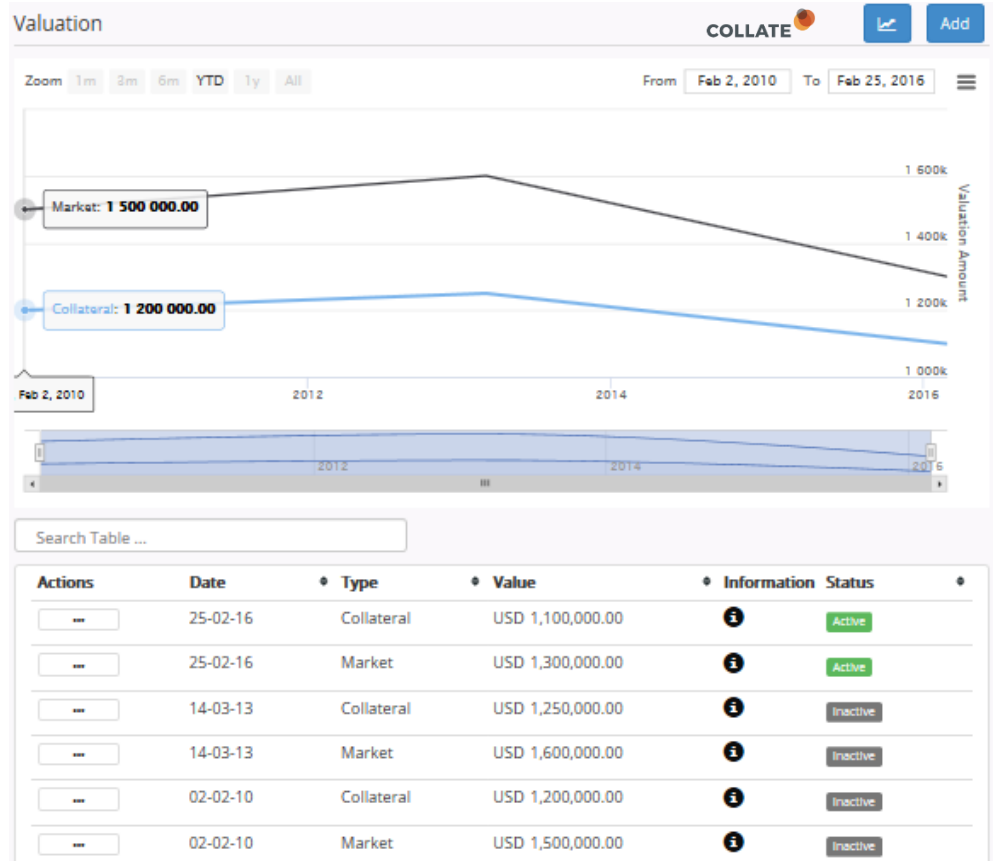


Figure 3
Asset Valuation in COLLATE
Collateral asset values are kept up-to-date by alert; data sets are maintained through the life of the loan; collateral and credit relationships are managed dynamically

Case study #2

Aggregating data across multiple systems and jurisdictions for better reporting, improved credit risk models and capital adequacy management

This Bank's credit risk systems are complex and dispersed – with multiple legacy collateral management systems holding millions of collateral records, connected to surrounding systems by a multiplicity of interfaces. The Bank's infrastructure, while operationally sound, limits their ability to accurately report collateral within their balance sheet structure.

With COLLATE, the Bank achieves a Golden Source for collateral data across the banking book which enables:

- Reduced capital costs through REA reduction - improved data quality is resulting in more collateral secured.
- Increased treasury funding by increasing eligible collateral.
- Easier regulatory reporting and compliance and a reduction in system complexity.
- Improved risk management through improved data quality and workflow.
- Ongoing investment in data cleansing is secured, maintaining collateral data integrity is maintained over time.

Multiple valuations per asset are enabled with financial performance data captured, calculated, tracked, reported on and analyzed. Stale asset appraisals are auto-alerted and workflow can be initiated to ensure accurate and up-to-date valuations. Historic data is retained for trend analysis, forecasting and regulatory reporting.

Supporting documentation

Through its document generation functionality, COLLATE quickly generates dynamic correspondence, internal documentation and audit statements using up-to-date information from the system.

COLLATE also tracks and provides instant access to collateral documentation through its integration with document imaging and file systems. This enables users to search and retrieve specific documents such as images of title deeds, satellite imagery, flood certificates, insurance policy, rent roll statements and lease agreements.

Insurance

COLLATE supports insurance policy details for any type of policy pertaining to the specific collateral items. Workflow processes ensure for new policies, expirations, renewals, cancellations, forced placed, document exceptions. Single or multi-asset policy types include:

- General liability
- Flood and hazard policies
- Buildings and contents

Workflow process and monitoring

COLLATE offers full business process management for all aspects of the collateral lifecycle from credit application through to final release.

COLLATE drives and monitors operational processes using its configurable workflow tools, including status management, perfection validation, process tasks and notifications being routed to teams and users.

COLLATE provides a full overview of all open processes and activities using real-time interactive dashboards for individual users and team managers, allowing them to drive the daily operations and assign work across users and teams.

COLLATE also supports standard processes which can be configured to suit the bank's unique processes throughout the four phases of the collateral lifecycle:

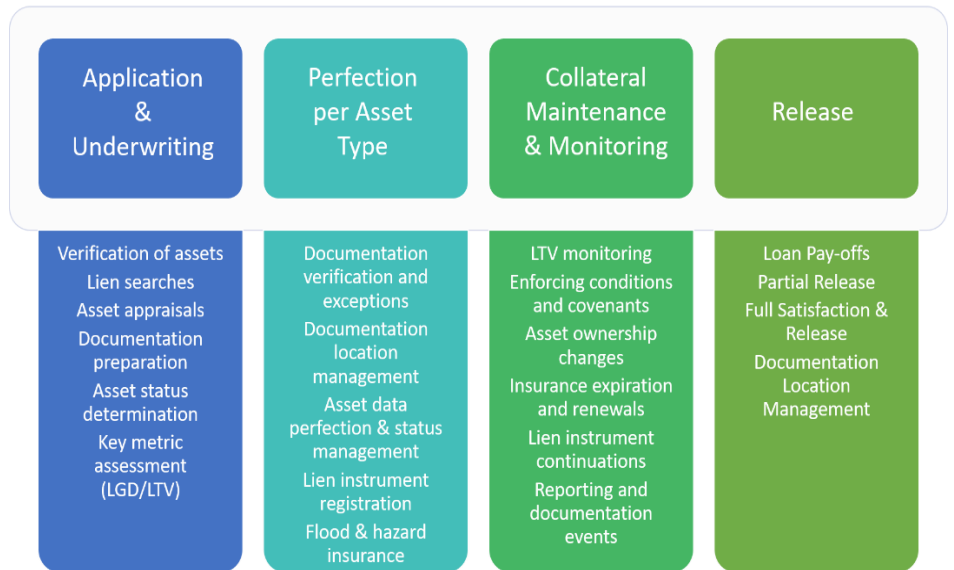


Figure 4
Workflow processing & monitoring in COLLATE
 Comprehensive management and maintenance of tasks through the credit lifecycle

Specialist collateral management capability

Tap into the collateral management thought leader

Rockall Technologies has over 17 years of experience dedicated solely to banking book collateral management. We are included in the RiskTech100®, globally acknowledged as the most comprehensive study of the world’s most significant risk and compliance technology companies.

Collateral management is all that we do.

About Rockall

Rockall Technologies is the expert at unlocking asset value to both release and safeguard credit. Focused on lending, we enable banks to handle the complexity required to drive high volume and high value loan books while safeguarding against risk. By providing a single repository for all collateral data, our clients can reduce RWA, satisfy regulatory demands and improve credit risk management.

Rockall has two flagship products: COLLATE, for banking book collateral management and FASTNET, a cloud-hosted securities-based lending solution. Both highly-configurable, they deliver real-time analytics and integrate with bank systems to automate and standardize processes in order to accelerate time-to-loan and enhance credit risk management.

If you would like to learn more, please visit us at www.rockalltech.com.

“Achieving radical capital cost reductions as part of a client’s credit transformation project”