

Case Study

CASH Reward™

Financial Services

Red Canoe Credit Union Selects CASH Reward™ to Improve Risk Scoring Across Commercial Lending Portfolio



Background

Red Canoe Credit Union opened its doors in 1937 in an effort to provide affordable financial services to Washington communities. Since then, the credit union has grown to serve nearly 56,000 members from ten branch locations in both Washington and Oregon. Red Canoe Credit Union's asset size is approximately \$724 million.

Commercial lending is an important part of Red Canoe Credit Union's lending portfolio and makes up about 10 percent, or slightly more than \$72 million, of their overall loan portfolio. The majority of its commercial lending activities are in commercial real estate, equipment loans and secured lines of credit. Red Canoe Credit Union also does loans with other credit unions, which helps widen their lending footprint into other western states. The credit union typically originates about six to ten commercial loans each month.

Why Choose CASH Reward™?

Maintaining a profitable lending portfolio is the lifeblood of a credit union, but it can be a bit of a balancing act. While credit unions, like Red Canoe Credit Union, certainly want to remain conservative with risk and adhere to all regulations, members expect help and support with their business needs, which can require some flexibility.

For Red Canoe Credit Union, assessing their risk was a fairly subjective exercise based on the credit union's own risk ratings system as well as the loan officers' personal evaluations. Although this method was working quite well for the credit union, some questions remained about the true accuracy of their risk assessments.

Already a user of several of the nine integrated modules in Wolters Kluwer CASH Suite™ commercial lending solution, Red Canoe Credit Union also wanted help with loan grading and risk scoring across its commercial lending portfolio.

In April 2014, the credit union implemented the CASH Reward™ module to help ensure reliability and consistency in its risk ratings across the organization. CASH Reward provides a foundation that reduces loan losses and increases portfolio profitability by enabling senior lenders, portfolio and risk managers to formalize underwriting and risk management policies by tailoring risk scorecard models to their policies and procedures.

“With CASH Reward we’ve been able to develop a profitable portfolio of Commercial Loans,” said Jim Strehlow, Director of Business Services. “The solution helps us make better credit decisions, gain access to extra funds we had been setting aside in our risk reserve (but didn’t need to) and operate more efficiently overall. Thus, we’ve been able to originate more loans and grow our portfolio and profitability.”

Results

During the implementation process, Red Canoe Credit Union spent a significant amount of time fully customizing CASH Reward to best reflect the credit union’s lending policies. Red Canoe appreciated the patience, support and attention to detail that they received from their account representative to ensure the solution was updated to their exact specifications.

With CASH Reward, Red Canoe Credit Union can automatically assess and analyze its financial performance based on the data entered, or use the solution as confirmation of a lender’s risk assessment. CASH Rewards also enables risk policy adjustments as market conditions and portfolio needs change.

“CASH Reward gives us peace of mind that our commercial lending department is adhering to our risk management policies,” said Strehlow. “We have different loan officers with different thought processes, and this helps remove the risk of human error by providing consistent risk ratings throughout our commercial lending program.”

And, while the benefits of CASH Reward are not outwardly apparent to members, what they do notice is enhanced customer service.

“Our risk rating is part of our internal processes, so members don’t have access to that information. What they do see is that we are quicker to respond with a term sheet and preliminary approval because we have this software in place,” said Strehlow. “That’s important to us because it helps reinforce our organization-wide commitment to making our members’ needs our number one priority.”

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