

LOAN MANAGEMENT SYSTEM

Migration from Legacy to a Modern Modular Customizable Loan Servicing Solution to Enable Future Growth



ABOUT THE CLIENT

Our client is a well-known lender based out of British Columbia, Canada and provides financial tools that help underserved Canadians gain long-term access to affordable forms of credit.

Some of their products include Credit Builder Loan, Secured Card, etc. Since 2013, these solutions have allowed consumers to build credit and savings at the same time. Our client works with over 800 referral partner locations across Canada. Their primary market is customers who have poor or no credit history and the average ticket size of these loans is ~3,000 CAD. The payments are regularly reported to the Credit Bureaus. This, therefore, improves their credit score and improves their credit worthiness. LendFoundry team got an opportunity to closely work with the client's Operations Team, Engineering Directors and Solution Architects) to understand their pain areas and thus provide them a solution to not just meet their current needs but also accommodate future initiatives

BACKGROUND

The client was already using a loan servicing system, but they soon wanted to scale up and launch more Credit Builder products. Their existing system did not give them enough flexibility to easily modify loan products and also create custom workflows to suit needs of each loan product. They thus decided to switch to a more agile software that can address their unique needs and give them the confidence for future scalability.



KEY REQUIREMENTS

The client was looking for a Loan Servicing Solution (LSS) that would be flexible enough to accommodate various types of loan products without significantly changing the business process and also allow them to support large loan volumes.

Our client evaluated a couple of other solutions available in the market but they focused on simple lending products and were unable to provide support for equity/deposit backed loans, core to this business.



Some of their key requirements were:

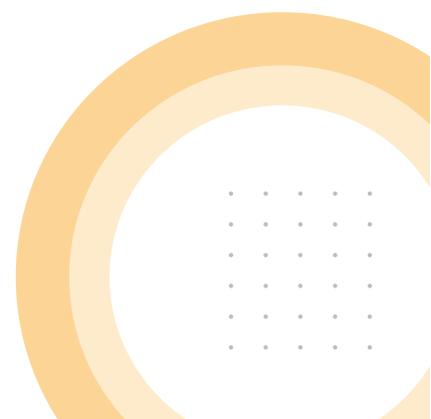
- A new Equity account to save the borrower's money. Ability to add/withdraw money to/from an equity account and maintain a record of transactions.
- Ability to turn on/off Credit Monitoring/Loan Protection program at any given point in time.
- Setting up different Payment Hierarchies, providing flexibility in managing outstanding amounts.
- Auto-debits/payment failure handling via EFT
- Insurance Claim process where the insurance company pays when a borrower is unable to pay. Autopay is paused with a start and stop date and payment from Insurance company is recorded manually.
- Metro 2 Credit Reporting
- Migration of existing loan portfolio of ~20,000 loans



PROPOSED SOLUTION

LendFoundry's proposed solution would be able to support existing loans as well as new loans & products . It would generate and manage repayments as per schedule, allow for ad-hoc payments and continue to balance in linked equity/deposit accounts. Some specific features are noted below:

- LendFoundry's (LF) Loan Servicing System onboarding API would be used to onboard new loans. The existing loans would be migrated in bulk using an ETL process.
 - Additional custom fields would be added in the onboarding API to accommodate unique requirements.
- Loan Servicing System would automatically create repayment schedules upon onboarding, initiate and track payment debits automatically (Canadian EFT, equivalent to ACH in the US). Each successful payment would reduce the principal outstanding. If a payment fails then LSS would automatically fail such payment, track Days Past Due (DPD) using core services.
- Ability to apply an ad-hoc payment at a future date and automatically split the ad-hoc payment into defined payment hierarchies for principal, interest, fees etc.
- Equity account creation and creating a separate transaction table for recording all transactions to the Equity account.
- Auto-update of Equity account could happen in the following ways:
 - The lender can choose to clear arrears from the saved amount in the Equity.
 - The borrower can choose to withdraw his saved sum at any point in time.
- Scheduled Fees would be set up , auto-applied before the due date, and recovered on the due date.
- Ability to pause & resume the schedule fees at any point in time.
- Ability to restructure loans as needed to make changes to payment dates, tenure, payment frequency, loan amount etc.
- Manually cancel the loan at any given point and pause accruals, payments, etc upon cancellation.
- Automatic generation of Bureau Reports in Metro 2 format for credit reporting to all major bureaus on a monthly basis.
 - Each bureau reported value for a loan can be edited from UI.
 - Report will be output on a designated SFTP.
 - Migrated loans will continue to be included in the report, and payment history profile and date of first delinquency etc. will be calculated considering past reported values.





FEATURES USED IN THE SOLUTION

Following features of the LendFoundry's Loan Servicing System (LF-LSS) were used to fulfill the client's expectations:

- Micro-services to support various LSS features such as amortization, tracking of days past due, scheduled payments, payments received, transactions, email & sms notifications, document management, audit trail management, etc.
- Configurable services for ease of customisation to meet unique requirements.
- Connection between services improved scalability, fault isolation, data security and compliance enabling a more resilient application.
- API-based architecture enabled seamless creation of new APIs to add/withdraw equity, start/stop loan protection program, cancel the loan, etc.
- The robust framework enabled the creation of new tasks for doing independent activities such as applying scheduled fees on a specific date, etc.
- Configurable UI architecture enabled the creation of new user action menus for the client's operations team to perform manual operations on a loan.
- Easy navigation and views of portfolio/loan data using smart filters and customized queues.
- Extensible and scalable payment services architecture to easily support EFT-based payments.
- Configurability in the Bureau Reporting module led to quicker delivery of this module. Features built in this module included reporting of existing loan portfolio, migration of past reported data and others.
- Data as a service architecture enabled access to key loan data, in process data and also syncing this to the client's data lake.
- A dedicated Analytics team seamlessly executed the mammoth task of migrating a huge loan portfolio into LF LSS.
- Merchant Solutions like Self Service Merchant Onboarding, Automated Underwriting, integration with LexisNexis, Plaid, DocuSign makes it possible to scale up onboarding of large number of existing merchants to the lending program and also easily add new merchants in the future
- Ease of monitoring microservices at infra level and faster deployment for new releases helped build customer confidence and deliver in an agile manner.

KEY CHALLENGES

This implementation was an important implementation as this was our first implementation in Canada, the loan products being offered by the client were not available out of the box and also payment infrastructure and bureau reporting in Canada is different from the US. There were significant changes made to the platform to support these unique needs of this implementation. Given our technical architecture, platform configurability, agile delivery and good support from client's business and technology teams, we were able to complete this implementation and migration in a 4-month period. Given the number of changes made, there were glitches in the first 60 days and those were promptly addressed to make the implementation successful.

OVERALL IMPACT

At the time of writing this case study, the client is live on our Loan Servicing platform for over 18 months. Some of the key benefits realized by the client include:

- Managed an acquisition successfully and there were no objections or red flags on the platform during the client's due-diligence process.
- Launched new lending products to offer better solutions to the consumers and also grow new customer base.
- Given that the loan amounts are small and there are frequent delays and delinquencies in this segment, there is considerable effort required to restructure loans. With LendFoundry and its rule based automation, most of this work has been fully automated.
- Our client had a large number of delinquent loans dormant on its books. Using LendFoundry Loan Servicing System the dormant loans could be charged off easily and the books cleaned up.
- Cycle time to report to the bureau has reduced from 15 business days to 5 business days.

ABOUT LENDFOUNDRY

LendFoundry is the next-generation, cloud-based, SOC1 and SOC2 Type2 compliant, full stack technology platform to enable digital lending.

Available as a SaaS offering on AWS, LendFoundry is built using a micro-services architecture and is highly customizable and scalable. Powered by API integration with 80+ traditional and alternate data providers and platforms, it can help digitize a lender's entire loan lifecycle to deliver faster loans and also add new customer segments.

Key Modules: Borrower Portal, Broker Portal, Dealer Portal, Merchant Portal, Lender Portals, Loan Origination System, Loan Servicing System, Loan Management System, Business Analytics.



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