



Regional Banks Need More Than a Core System to Compete in Commercial Lending



Commercial Lending Growth Demands More Than a Core System

Regional banks cannot scale modern commercial lending on infrastructure built for a different era of banking. Right now, regional banks are at the forefront of a pivotal shift in commercial lending, including transformation and the move to AI. If they fail to move beyond the mindset that “a core system is fine for commercial lending,” they risk falling well behind their competitors as the landscape evolves.

Commercial lending remains one of the most attractive avenues for profitable growth, stronger client relationships, and greater competitive relevance in the market. But too many institutions are still trying to capture that opportunity with infrastructure that was never designed for the complexity commercial lending now demands—from Syndications to complex C&I from Small Business/SBA and everything in between.

That is the disconnect bank leaders need to confront.

Core banking systems still matter. They remain essential to financial institutions of all sizes and continue to serve a critical role across the enterprise. But when it comes to commercial lending, many of these systems are being asked to do work they simply aren’t designed for; and as a result, growth and profitability becomes harder to execute, harder to control, and harder to sustain.

This is no longer just an operational inconvenience. It is a strategic limitation.

Commercial Lending Has Changed. Many Technology Foundations Have Not.

Commercial lending today is defined by complexity that isn't limited to straightforward bilateral loans or standardized servicing models. Regional banks are increasingly expected to support syndicated credits, participations, construction lending, asset-based facilities, multi-tranche structures, and more tailored borrower arrangements.

That complexity carries through the entire lifecycle, affecting onboarding, servicing, collateral management, covenant monitoring, reporting, risk oversight, and client experience.

The problem is that many technology environments have not evolved at the same pace. Banks are often relying on core systems designed to support deposits and simpler lending products, then layering in manual workarounds on top to compensate for what those systems cannot handle.

That may keep the operation moving, but it does not create a scalable platform for growth.

The Real Risk is in the Operating Model

When banks talk about commercial lending growth, the conversation often centers on market demand, portfolio mix, or relationship expansion. Those are all important. But, really, the more important question is whether the operating model behind that growth is strong enough to support it.

In many institutions, it is not.

When complex lending depends on spreadsheets, side systems, manual reconciliations, and fragmented handoffs, the result is predictable: slower execution, reduced transparency, inconsistent data, and increased operational risk. Over time, those weaknesses begin to affect more than efficiency. They shape how confidently a bank can pursue larger opportunities, how effectively it can manage compliance obligations, and how well it can deliver on borrower expectations.

In other words, the true constraint on growth is not always market opportunity. It is often infrastructure.



Growth Without the Right Infrastructure Gets Expensive Fast

Commercial lending is one of the most valuable businesses a regional bank can grow. It expands interest income, creates fee opportunities, and deepens relationships with commercial clients. But this is not a segment where volume alone defines success.

The institutions that win will be the ones that can grow with discipline.

Winning institutions—ones that invest in a system specifically designed for commercial lending—will be able to support more sophisticated structures without introducing unnecessary complexity. They'll be able to scale their portfolio without scaling manual work at the same rate. They'll improve speed while strengthening control and deliver a borrower experience that feels responsive, modern, and connected.

The “it works for everything” type of system can't support those outcomes, so growth becomes increasingly expensive. More people are added to compensate for process gaps. More risk is introduced through inconsistency, workarounds, and manual tracking. More opportunities are lost because the bank cannot move with the agility the market now expects.

That is not a sustainable model.

The Core Is Still Essential—But It Is No Longer Sufficient

This is not an argument for abandoning the core. It is an argument for being more realistic about what the core can and cannot do.

Core systems were built to provide stability, standardization, and enterprise control. Those are critical strengths. But commercial lending increasingly requires something different: configurability, flexibility, deep lifecycle support, and operational precision across more complex products and relationships. And as banks increasingly integrate AI into their operations, it becomes even more critical for systems to be specifically built for commercial lending ensuring data accuracy and trustworthiness. That's why so many banks are reaching a similar conclusion. That it's no longer a matter of questioning if commercial lending requires specialized expertise, it's about how soon organizations will address this need.



For regional banks in particular, this matters because they are competing in the middle of the market. They are facing pressure from national institutions with scale, from private lenders with agility, and from fintechs with more modern operating models. To compete effectively, they do not need to become something they are not. But they do need infrastructure that allows them to deliver sophistication without losing the strengths that make regional banking valuable in the first place.

The Smarter Strategy Is Targeted Modernization

The most effective response is not wholesale system replacement, it's a targeted modernization.

Regional banks should preserve the value of the core where it continues to serve the business well. But they should also be willing to introduce specialized capabilities in areas where complexity, growth potential, and competitive pressure clearly justify it. Commercial lending is one of those areas.

A more specialized commercial lending model can help institutions create a stronger foundation for growth by enabling:

- Better support for complex loan structures
- Greater consistency across the lending lifecycle
- Stronger data integrity and visibility
- More effective monitoring, reporting, and compliance readiness
- Improved operating leverage as portfolios grow
- Embracing the potential of AI

This is how banks move from managing complexity to using it as a competitive advantage.

What Will Differentiate the Next Generation of Regional Bank Leaders

The next generation of winners in commercial lending will not be defined only by asset size or market footprint. They will be defined by execution.

They will be the institutions that recognize that relationship banking alone is no longer enough. Relationship strength still matters, but it must now be paired with operating sophistication. Clients expect expertise, but they also expect responsiveness. Regulators expect growth, but they also expect control. Boards expect expansion, but they also expect resilience.



That combination cannot be delivered through manual patchwork.

It requires a more deliberate technology strategy—one that treats commercial lending not as a function to be maintained, but as a business to be enabled.

The Bottom Line

Commercial lending remains one of the clearest strategic growth opportunities available to regional banks. But banks will not fully capture that opportunity if they continue to rely on infrastructure that was built for simpler products, slower processes, and lower expectations.

Core systems remain indispensable. But on their own, they are no longer enough.

Regional banks that want to grow commercial lending in a way that is scalable, controlled, and competitive need to modernize the capabilities behind the business. That means keeping the core where it belongs but building specialized infrastructure where the business now demands it.

That's not a technology upgrade. It's a strategic decision about how the bank intends to compete.

About AFS

Automated Financial Systems, LLC (AFS) is a leading technology provider dedicated exclusively to commercial lending. Its flagship platform, AFSVision®, enables financial institutions to manage the full loan lifecycle—from origination through servicing—within a single, real-time system of record.

With more than 55 years of industry focus, AFS delivers a modern, configurable, and cloud-enabled solution that supports complex lending portfolios, enhances operational efficiency, and mitigates risk for financial institutions. AFS has played a significant role in advancing commercial lending technology, helping institutions replace fragmented legacy systems with unified, enterprise-wide platform.

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