

Digitizing Construction Lending

Can You Afford to Keep the Status Quo?

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Construction lenders are at a modernization crossroads. They can stick with their current systems and methodologies such as the widespread use of Excel and communicating via email, or they can digitize and automate part or all of the lending lifecycle.

The use of spreadsheets to manage and administer construction loans has historically been ubiquitous among lending institutions. Often, these spreadsheets are updated manually, reside on an individual's laptop on a combination of on and off-premises networks, and may be emailed back and forth with little to no version control. All of these factors create complex challenges and introduce tremendous portfolio risk. Additionally, using disparate spreadsheets means there is no centralized view of the portfolio, making it difficult to understand the team's performance, the status of all active projects, and to identify potential project risks.

For the construction lending industry, managing data is rapidly becoming increasingly difficult to keep up with. Alternatively, a digital transition can result in lower costs, improved quality, accelerated building timelines, reduced employee turnover, and higher borrower satisfaction. That's because fully traceable, 24/7 access to real-time information and automated processes play a vital role in project completion.

Doing the Math

For starters, delays are costly. The faster funds are dispersed, the faster General Contractors can order materials, complete work, and pay subcontractors. This is also an immense benefit to lenders, because ultimately processing draws is expensive, especially where there are a lot of people involved, a multitude of touch points, and various systems. Every person and touch point equates to increased costs and delays.

When all data is accumulated and saved in disparate, siloed spreadsheets or antiquated systems, pulling together the information required to review and process each draw and the entire project becomes a costly proposition. When loan administrators are stuck performing processes that are manual, repetitive, or inconsistent, or when the data they have available is not verified, there is an increased risk of error and project delays. The more accurate the data, processes, and reporting, the greater the efficiency and cost savings.

WITH A DIGITAL SOLUTION, FOUR FACTORS ADD UP TO COST SAVINGS:

- 1 Accurate Reporting** Construction lenders can generate reports with up-to-date data that the lender's team and regulators trust.
- 2 Risk Management** When this function is digitized, teams can quickly identify loans that are

reaching maturity, overfunding, or risk going stale. By ensuring compliance and completion, lenders can reduce what would otherwise be considered a risky loan.

- 3 Draw Turnaround Times** Eliminating delays can have a significant positive impact on workflows and project timelines
- 4 Faster Cash Flow** Speeding up lending and payments means increased cash flow for lenders and construction companies which allows them to generate increased interest income and move on to other projects faster.

A Collaborative, Digital Experience for All Stakeholders

When modernizing is the answer, conduct a search for a strategic partner with proven expertise that will enable you to digitize and scale seamlessly.

By connecting all key stakeholders involved in the construction financing process in real-time, the right partner will help mitigate risk, power faster draws and payments, ensure compliance, and inspire customer loyalty. Additionally, lenders should be able to extract data from every project to gain insights that inform future loans and underwriting decisions.

When lenders, builders, and borrowers are all operating and collaborating within the same system, all parties will have visibility into their construction loan portfolio. Draws and inspections can be requested electronically, dramatically decreasing the overall draw turnaround time while also increasing transparency, confidence, and loyalty. Builders and borrowers are now proactively seeking lenders that use the Built platform.

The modernization effort should enable your team to swiftly manage each aspect of the projects within your commercial portfolio from the highest level down to the smallest detail. The feature set should let you centralize the lender's construction portfolio to gain full visibility into commercial and consumer projects. This includes portfolio visibility, loan management, and pipeline tracking, as well as lien monitoring.

Next Steps

All construction loans have nuances, which is why a forward-thinking partner will bring tremendous cost and time-saving results. A partner like Built Technologies can help with all elements of construction finance.

Digitizing will enable your institution to become the lender of choice for borrowers, taking their experience to the next level. Multiple spreadsheets and various screens can easily be replaced with a comprehensive digital platform. From loan origination to project completion, it is time to ease the pain points that have plagued our industry for decades.