



CENTRAL PACIFIC BANK

Electronic Loan Files Increase Productivity, Compliance and Savings

When Central Pacific Bank (Honolulu) merged with another bank in 2005, it doubled its lending volume and went from a centralized operation to one spread across three states. Moving paper-based commercial, consumer and mortgage loan files between 38 locations in California, Washington and Hawaii slowed processing times, increased costs and made it difficult to track documents.

The main subsidiary of publicly traded Central Pacific Financial Corp., \$5.2 billion Central Pacific is Hawaii's third largest bank and provides a full range of banking, investment and trust services for businesses and retail customers. For the past two years, it has been recognized by the Small Business Administration as Lender of the Year.

To convert paper-based loan files to document images that can be more easily accessed, tracked and managed while being less susceptible to disasters, Central Pacific Bank chose an OnBase solution from PROFORMANCE, an authorized OnBase solution provider. "There are lots of imaging vendors, but I couldn't find a relational database organized in a way that would support the more complex relationships involved in the commercial lending process," says Carl Nagasako, SVP of Operations at Central Pacific Bank. "With some of the other solutions we looked at, the user interface was not as clean or as easy for officers to understand and use. It's important to think about officers and whether they will want to use a solution. It has to emulate the process they are currently using in paper."

Nagasako's past experience had taught him the importance of user acceptance to the success of a solution. "I used to work at another bank that spent millions of dollars on an imaging solution that had to be scrapped because no one wanted to use it," he says. Familiar with OnBase functionality, he felt the capabilities and flexibility would meet the needs of lending operations when complemented by PROFORMANCE's INFO-ACCESS module. INFO-ACCESS provides loan document tracking, exception processing and collateral management as well as a "tickler" feature to proactively identify documents that are expiring or pending.

Document Imaging Increases Information Availability

Central Pacific Bank is in the process of converting all active files to digital images. In addition to working with a service provider to convert existing files, the bank's various scanning locations currently process about 8,000 pages of incoming post-closing loan documents and complicated credit files each day using *fi-5750C* document scanners from Fujitsu Computer Products of America.

Pre-defined document requirements have been created for the various types of loan files using INFO-ACCESS. Users create bar code sheets generated out of INFO-ACCESS based on the pre-defined requirements. As part of the process, personnel at originating units place the bar code sheets in consumer and residential mortgage loan files prior to scanning. During the scanning process, the values encoded in the bar codes are used to automate the indexing process, eliminating the need to enter data by hand. Based on the bar code values, INFO-ACCESS will automatically identify missing documents and generate exceptions, reports and work items.

Processing more complex commercial loans is somewhat more challenging than consumer and residential lending because there can be multiple borrowers, guarantors, loans and collateral involved. The SQL-based INFO-ACCESS document tracking system that Central Pacific selected allows for a coherent grouping of these relationships. Specialists organize and scan the commercial loan files and make sure they are imported and indexed appropriately.

These loan files are now instantly available to employees in ten departments, significantly reducing time spent retrieving documents for credit administration, compliance reviews, servicing payoffs, documentation and retail collections. In fact, Central Pacific anticipates that overall productivity will increase by 50%. Unlike paper files, OnBase documents can be viewed by multiple employees simultaneously and decision makers can easily compare similar files to see

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AT A GLANCE

Central Pacific Bank, a \$5.2 billion financial institution with dozens of branches in three states, has reduced costs, improved productivity and enhanced compliance initiatives in loan operations using document imaging and loan tracking technology.

BENEFITS

- Reduced annual costs for document storage by \$100,000 a year
- Estimated \$45,000 reduction in labor costs associated with tracking 2,000 loan files a month
- Eliminated the need for \$40,000 in microfilm costs
- Timely access to multiple authorized users simultaneously reduces cycle times and improves decision making and customer service
- Anticipated 50% increase in overall productivity
- Identifying potential missing documents/incomplete files and simplifying auditing supports compliance

APPLICATION

- Consumer Lending
- Mortgage Lending
- Commercial Lending

ONBASE SOFTWARE

- Application Enabler™
- Archival API
- COLD/ERM
- Production Document Imaging
- Disconnected Scanning
- DVD Authoring
- Export
- Publishing
- Web Server

COMPLEMENTARY PRODUCT INTEGRATIONS

- PROFORMANCE INFO-ACCESS, Host Synchronization and Reports software
- Fujitsu Computer Products of America *fi-5750C* document scanners
- Kofax Image Products, Inc. Virtual ReScan® (VRS) software
- Xerox Corp. WorkCentre™ Pro 35

how situations have been handled in the past. Additional documents are often added to the files using one of the bank's Xerox WorkCentre™ Pro 35 multifunction peripherals (MFPs) that copy, scan and print documents.

Reduces Costs by \$150,000+ per Year

Though he admits that training staff on the process for using INFO-ACCESS system was the biggest challenge, Nagasako says the system is easy to use because it is very visual and supports annotation. For example, loan officers can leave reminder notes to themselves. The intranet platform has also proven to be easy and intuitive for loan officers to use, and support from PROFORMANCE facilitated the smooth implementation of a system within two months.

"One of the best decisions we made, which was recommended by PROFORMANCE, was to have sufficient level of detail in the document types to really ease the retrieval process by our officers," reports Nagasako. "Since we were very detailed in the document types, most documents can be located immediately by the user, thus, greatly aiding our 'selling' of the system to the Bank. We believe that the users must be sold on the system's convenience to abandon the paper files." Loan information is downloaded daily from Central Pacific's Fiserv CBS host system, so data is always accurate and readily available.

This functionality has greatly improved convenience and productivity for employees by eliminating low-value tasks. For instance, every year 30% of loans are renewed or extended, which means that credit files are accessed and updated frequently. In addition to submitting updated financial statements, loan officers must review credit files annually. Officers can also review comparable deals done in the past to improve overall consistency in decision making.

"Each officer has 40 to 60 credit files they are responsible for, which comes out to five or eight a month," says Nagasako. "Instead of requesting paper files, they simply pull them up in OnBase. Now they don't have to wait for the physical file. Because the documents are itemized to the nth degree, they can find what they want immediately. For instance, if they want the last credit memo, they just click and there it is. They have been very positive about using OnBase because it makes them more efficient. Ultimately, they may even be able to work from home."

In addition to indicating when a document is missing, INFO-ACCESS also prompts officers when information is expiring or further action must be taken. This not only improves customer service and productivity, but it also helps to ensure that files meet the appropriate compliance requirements.

The increased efficiencies of Central Pacific's document imaging solution yield hard dollar returns in significant cost reductions. Nagasako estimates that the bank will reduce storage space by 3,000 square feet. At a monthly cost of \$2.50 per foot, this yields a savings of \$90,000 a year. Warehouse storage for paid off loan files that must be maintained for a seven-year period will be reduced by about \$10,000 a year.

As a disaster recovery measure, Central Pacific had been creating microfilm backups of loan files. OnBase has eliminated the need for this service, which costs about \$40,000 a year, while allowing the bank to back up and maintain digital files as part of an overall business continuity strategy.

Risks and costs associated with moving files from one location to another is also reduced or eliminated. The average courier cost is \$50 per file. By reducing the handling and tracking of the 2,000 loan files that are processed each month, Nagasako anticipates labor savings of about \$45,000 per month as well as savings of \$7,500 in costs associated with maintaining paper files.

Technology Eases Compliance and Accountability Processes

As both a publicly traded entity and a financial institution, Central Pacific Bank faces a significant compliance and accountability mandate. The OnBase/INFO-ACCESS solution has improved Central Pacific's ability to ensure file integrity and comply with numerous internal and external audits.

Complementing the proactive monitoring of files, the solution has also helped the bank determine, report on and improve loan coding integrity. Effortless access to files eased the verification and "scrubbing," including a post-merger scrubbing of the existing portfolio. Using this solution, Central Pacific was able to identify – and correct – a 30% error rate in coding.

Several thousand files are reviewed annually for compliance with guidelines such as Consumer Reporting Agency (CRA), Home Mortgage Disclosure Act (HMDA), Truth in Lending (TIL) and Sarbanes-Oxley. In addition, files are routinely reviewed by the FDIC, Federal Reserve Bank (FRB) and investors. The resources and disruptions associated with these audits are significantly reduced by providing internal and external auditors with access to the documents they need in OnBase.

Nagasako says that auditors from the FDIC were positive about the results of a recent review for which the bank provided both paper and electronic files. Based out of San Francisco, the auditors have agreed to test a remote audit for which Central Pacific will create a searchable CD of requested files.

An important aspect of Central Pacific's mission statement is to be "a living institution which reflects the changing needs, concerns and dreams of our employees, customers, community and shareholders." As a result, the bank is evaluating other ways to leverage its OnBase investment, including integration of the document repository with its Fiserv core and expansion to other departments and processes to ensure it is able to continue to fund these goals.



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