

Stillwater National Bank Implements State of the Art Origination Solution to Improve Credit Application Decisions and Processing

CHALLENGE

In June 2002, Stillwater National Bank (SNB) needed to update its consumer origination system; however, it was concerned that most solutions would not be able to provide it with the consistency and accuracy for guiding the underwriting of loan decisions that they had become accustomed to with Fair Isaac Application Risk Models (ARM).

Looking for a way to continue using existing credit risk models from Fair Isaac, SNB began searching for a new solution that would still offer the reliability in making sound underwriting decisions that SNB depended on. The SNB team was seeking a platform that was cost-effective for the bank's processes and loan application volume, which typically ranges from about 250 to 350 applications per month.

"We were not as concerned with increasing our number of applications processed. Our goal was to be able to measure and improve the quality of our lending portfolio," said Janette VanMeter, vice president and underwriting manager at Stillwater National Bank. "Quality of lending decisions is central to our business and maintaining a portfolio based on sound decision analytics is central to our lending culture."

Ms. VanMeter learned of the potential of combining Cypress Software Systems' flagship product, Mark IV, with the dependable and industry-leading Fair Isaac ARM models through a colleague at SNB.

"I didn't even know about Mark IV, but we were blown away by their demo," said

VanMeter. "It had all the features we needed, and eliminated several manual steps from our loan application process while maintaining the consistency of sound credit risk decisions that we had come to trust from Fair Isaac."

SOLUTION

SNB looked to combine the processing tools they found in Mark IV with the predictive benefits of their existing Fair Isaac ARM solution. Using Mark IV's integrated Fair Isaac pre-developed application risk models made it possible for SNB to efficiently score its credit requests as they were received. Even though SNB did not have sufficient volume to justify a custom model, the bank was still able to ensure that it could continue to take advantage of the empirical risk assessment of its applicants by using Fair Isaac's "off-the-shelf" ARM models.

"We realized that we needed an automated loan underwriting system with proven credit scoring capabilities. Using Fair Isaac's ARM models provides our underwriters the power to make an objective credit decision. The flexibility of Mark IV gives our team the ability to automate the loan process and customize credit decisions with a sound foundation in ARM credit scores."

After concluding that SNB had found a perfect solution for their underwriting and loan processing needs, the SNB team began its installation of the combined solution in April 2003 and had the solution installed and up and running in a few weeks.

While SNB valued the entire joint application processing system developed by the team from Cypress Software Systems and Fair Isaac, they realized that their confidence in the new solution lay in the risk model analytics. "You can have all of the wonderful front end efficiency tools; but, if the integrated analytics are not based off of sound data, the result is reduced usefulness," stated VanMeter. "We continue to pat ourselves on the back when we see how this combined solution meets the needs of our loan officers, underwriters, and document preparation department. We never realized how much work we had been doing that was repetitive and time consuming. When we implemented Mark IV, with the ARM models we had been using for years, it was an effortless 'turn of the switch' and our system was up and running."

CUSTOMER PROFILE

Name: Stillwater National Bank

Location: Stillwater, Okla.

Founded: 1894

Branches: 12

Assets: \$1.7 billion

Employees: 325

About: Stillwater National Bank (SNB) is a regionally diverse financial services company specializing in commercial lending and deposit products, as well as a variety of products and services to fit the needs of its personal clients. Today SNB is a wholly owned entity of Southwest Bancorp, Inc. with branches in Kansas, Oklahoma and Texas.

RESULTS

VanMeter and members of her team have ready access to the entire database of applicant data. With the joint solution, they are able to control and monitor the entire administration and underwriting process with distinct and customized views. Meeting the demands of the regulators and legislation, the team at SNB is easily able to ensure timeliness of response, accuracy of applicants' status and consistency of lending decisions.

Mark IV gives authorized SNB users the ease of updating their new scoring parameters, cut-offs, credit polices and other risk thresholds from any workstation on their network. Administrative changes are immediately deployed across SNB's Intranet of 50+ users, located in branches throughout the south-central US. This gives SNB the ability to fine tune their lending policies as they continue to decision using empirically-derived Fair Isaac ARM models.

While the system allows for a large amount of applications to be processed, the main gains for SNB will not be in processing more applications, but in its ability to process applications faster, more accurately and more efficiently. The average real estate loan decision now takes about 30 minutes while automobile loans can be processed as quickly as 3-5 minutes.

Highlights of the joint solution include

- ▶ SNB is able to easily maintain regulatory compliance and can share information such as imaged adverse action letters and score management reports with examiners on a moment's notice. "The auditors love it as they know what they are getting with Fair Isaac," stated VanMeter.
- ▶ While it is hard to put a dollar amount on some of the efficiencies, one concrete example revolves around the intuitive product interface that limits the need for extensive training.

ABOUT CYPRESS

Headquartered in North Richland Hills, TX, Cypress Software Systems, LP is a leading developer of automated credit application decision support technologies. The company serves community and regional banks, finance companies and credit unions with loan application decision and tracking tools on par with those used by larger national lending institutions. The Company's flagship product, Mark IV, is used by clients nationwide to quickly and consistently process consumer loan applications. Cypress Mark IV offers a flexible, risk-based processing approach that includes tracking applications from point of entry to point of decision.

ABOUT MARK IV

Mark IV is a "behind-the-firewall" Windows-based consumer application processing solution that provides lenders with a user-friendly application data entry point, quick retrieval of credit reports, reconciliation of debt information, and deployment of the bank's loan policies. Cypress provides these tools with the goal of speeding a quality loan decision back to the applicant and assisting the financial institution in maximizing loan performance.

- ▶ New branches have opened up in Kansas and Texas without the need to add any staff in the central underwriting and document preparation departments.

The Administration menu highlights where SNB manages the score cut-offs for their Fair Isaac ARM models.

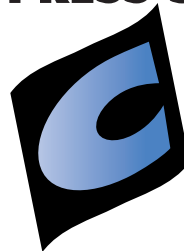
"In the past, it was a challenge for us to train our lenders in the field", said VanMeter. Now, with our new origination system licensed from Cypress and Fair Isaac, we are assured that we all lend in the same way across all of our branches."

VanMeter continued, "The beauty of Fair Isaac ARM models is that they ensure not just the efficiency of a quick decision, but consistency in the decision making process as well. Mark IV ultimately allows our lenders to focus more on customer service and increasing sales while letting the system, together with the ARM models, produce all the needed calculations.



STILLWATER NATIONAL BANK
& TRUST COMPANY

CYPRESS SOFTWARE SYSTEMS



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