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Software Helping Ga.'s PAB Cut Losses

Five quarters after centralizing credit administration for its lending operation, **PAB Bankshares Inc.** has slashed its consumer loan delinquencies, while developing the ability to predict loan losses.

The \$733 million-asset Valdosta, Ga., parent of **Park Avenue Bank** developed credit quality problems as a result of its expansion in the 1990s, said **R. Wesley Fuller**, an executive vice president at PAB and the director of operations.

In 2002 it licensed Mark IV loan-origination software from **Cypress Software Systems LP** of North Richland Hills, Tex. PAB completed the rollout in April 2003 across its six markets, Mr. Fuller said in an interview this month.

"I was asked to evaluate the product, and frankly, had some reservations," Mr. Fuller said. "At the time, Cypress was a new company with few clients and without the lengthy financial history we like to see in a new vendor."

But, Mr. Fuller said, Cypress' attentiveness and references helped sway the bank's decision. "The driving factor" for installing the software "was the delinquency rates in some of the markets," he said. Through a series of acquisitions in the 1990s, PAB acquired five banks in Florida and Georgia, and the delinquency rate for its consumer loan portfolio rose to about 5%, which executives considered unacceptably high.

"We needed a tool to help us implement a centralized loan policy,

especially on the consumer side," Mr. Fuller said. "We knew how a centralized credit desk operation should work" as a result of his previous job with a bank in the Atlanta area. "We sort of have a hybrid of that."

PAB formerly used document-preparation software to produce paperwork for loan closings, but it had no system to automate the credit-underwriting process.

Using the Cypress software to evaluate applications with standard criteria, PAB reduced past-due receivables to fewer than one-half of 1% without undercutting local decision making, he said. If an application falls within the range of acceptable criteria, local officials can make the loan. "If it's outside the range, then we have procedures to get an override approved."

PAB chose not to use the software to provide automated decision-making. "Fully automating the process takes some control out of the local lenders' hands," he said. "We still have market presidents who have the authority to look at a deal and make a deal if the conditions warrant."

Now PAB is building a database of loan histories. By next year it will have enough information to predict loan losses, Mr. Fuller said. "With the data, you know when to tighten or loosen up, depending on market conditions."

— **Steve Bills**

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