



Exception Management Study of 96 Bankers



# Findings Report: **Exception Management Survey**

A background image showing two men in business suits sitting at a table. One man is holding a pen and looking at a document, while the other is looking at a laptop. There are papers and a laptop on the table.

## Executive Summary Study Overview

Financial institutions continue to experience inefficiency in how they manage exceptions. Although electronic content management systems (commonly referred to as document imaging and/or management software) have helped many banks and credit unions become more efficient, some institutions still choose to manage exceptions manually. By properly selecting and implementing an electronic exception tracking system, institutions are able to alleviate manual processes and, thus, become more efficient.

The purpose of this study is to answer the following questions:

1. How are financial institutions managing exceptions?
2. What type of exceptions are most difficult to manage?
3. What is the perceived value of implementing an electronic exception management system (versus the alternative of managing exceptions manually)?
4. What other challenges exist with regard to exception management?

### Audience Summary

In total, 96 people participated in the study. Participants in the survey mostly represent small to mid-sized community banks, representing an estimated \$30 billion in total assets. All participants were located in the United States. Job function ranged widely, including loan operations, loan servicing, senior management, and information technology.

# Summary of Findings

As outlined in subsequent pages of this report, it is clear that institutions are becoming increasingly aware of the costs associated with inefficient exception management.

The following findings have been concluded from this study:



## Manual Tracking

69% of institutions are using some type of manual exception tracking process (core, spreadsheets, or stand-alone tickler)



## Core Ticklers

32% use some type of core-focused system when managing exceptions, while 15% use a stand-alone tickler



## Spreadsheets

22% of banks still use spreadsheets for exception tracking purposes



## ECMs

Only 14% of institutions are using electronic content management systems to manage exceptions



## Tricky Tracking

Missing, expired, and expiring documents are cited by banks as the “most difficult” exceptions to manage (38% of responses combined)

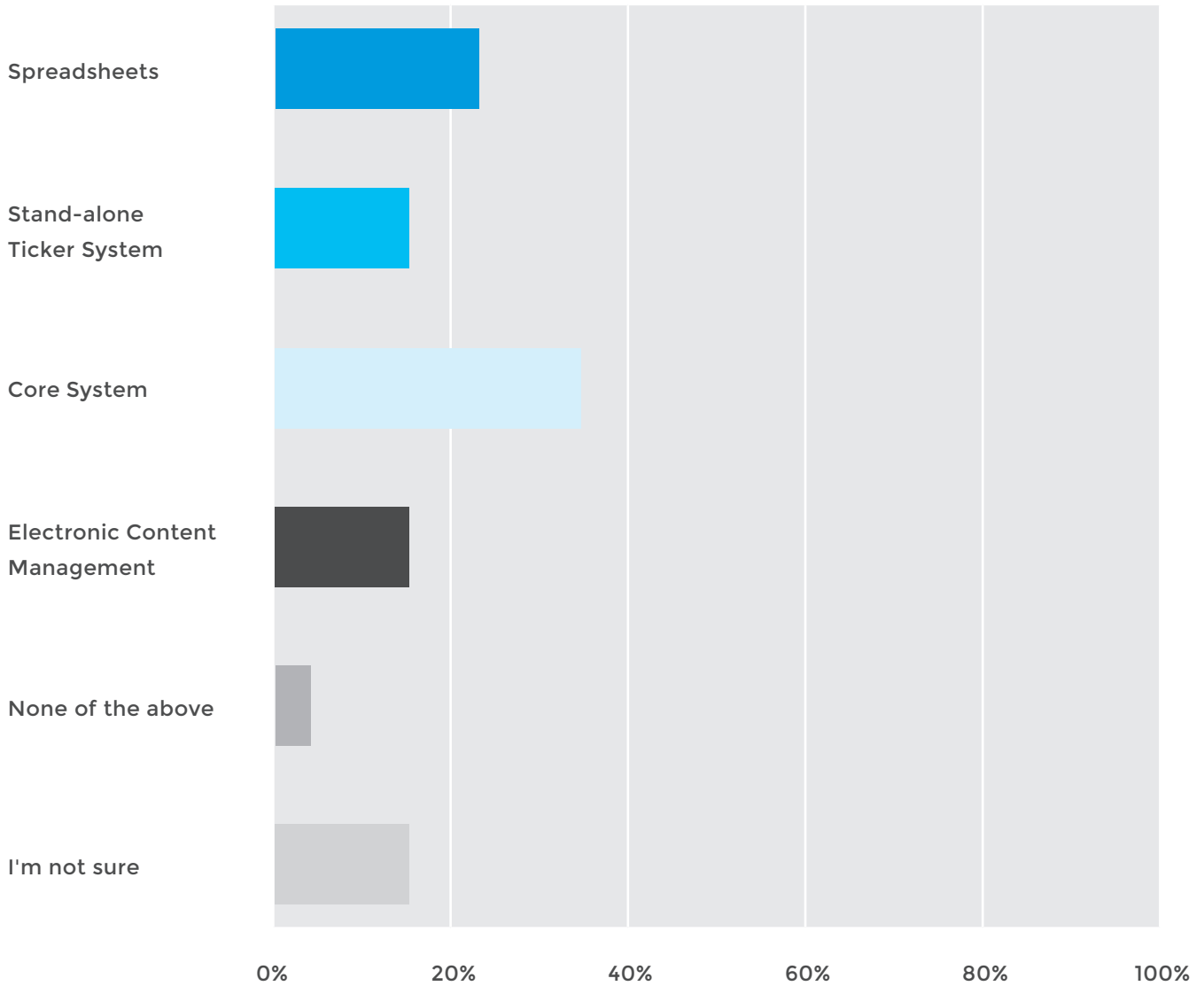


## ROI

Only 9.76% of those surveyed believe electronic exception management systems are not worth the upfront cost

# Exception Tracking Software Usage

How does your institution currently manage exceptions?

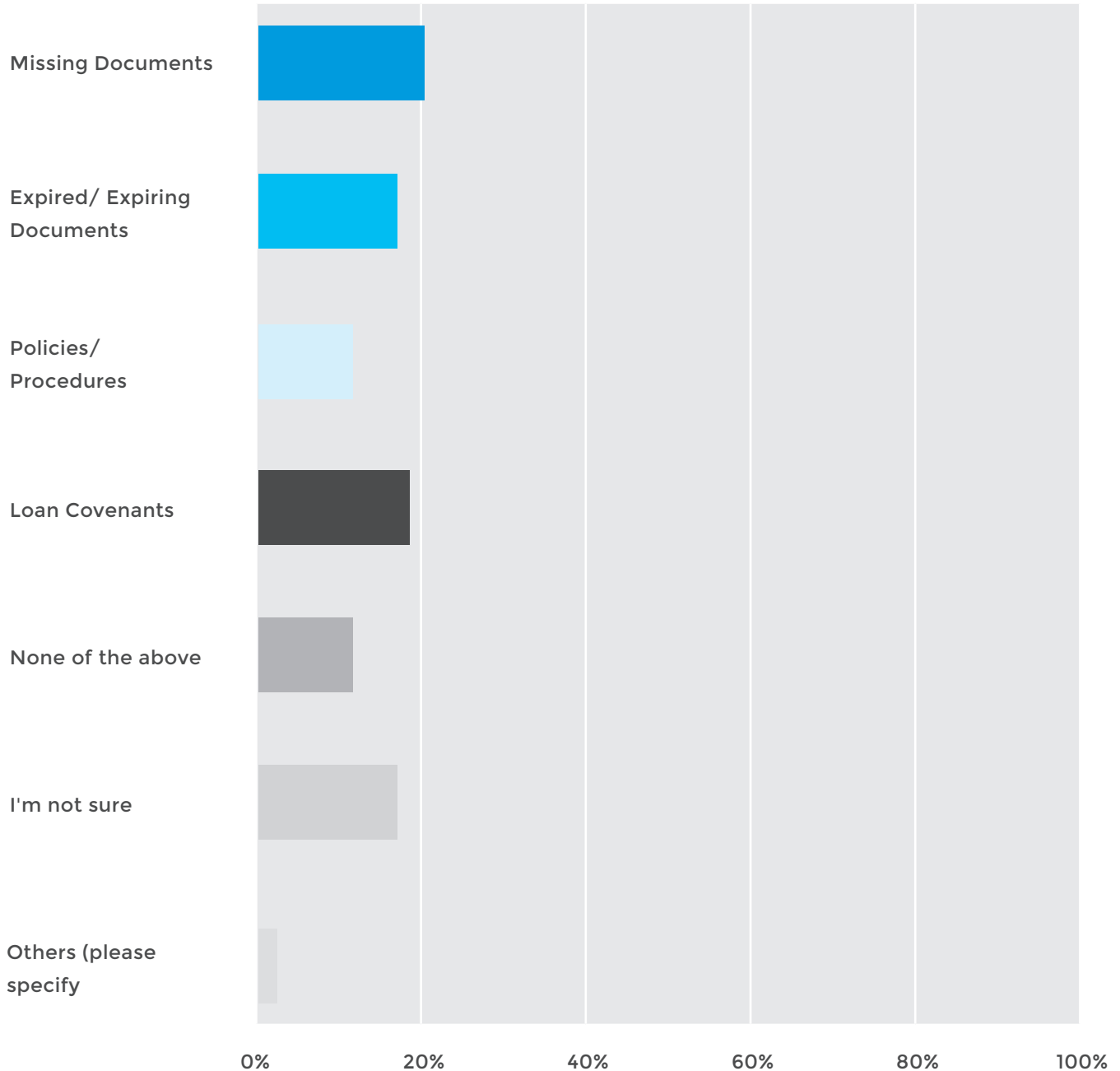


## Manual Exception Tracking Still Prevalent in Banking Industry

69% of institutions are using some type of manual exception tracking process (core, spreadsheets, or stand-alone tickler). 32% use some type of core-focused system when managing exceptions, while 15% use a stand-alone tickler. Surprisingly, 22% still use spreadsheets for exception tracking purposes. With only 14% using electronic content management systems, there is a sizeable opportunity for institutions to become more efficient by leveraging technology and workflows.

# Exception Management Issues

Given your current system, which of the following exceptions are the most difficult for your institution to manage?

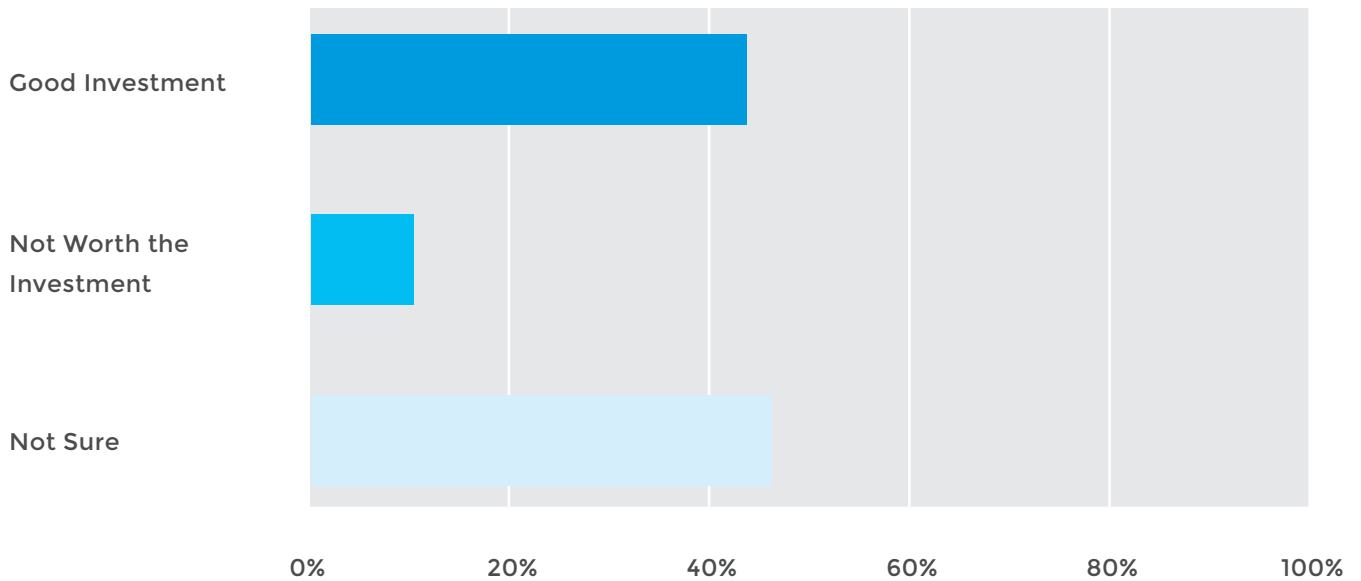


## Document Management Headaches Persist in Banks

Missing, expired, and expiring documents are cited by banks as the “most difficult” exceptions to manage (38% of responses combined). Loan covenants were cited 19% of the time as most difficult to manage. Finally, policies and procedures were mentioned by 12% of respondents as challenging.

# Perception of Software

In general, I have the following opinion of electronic exception management systems:

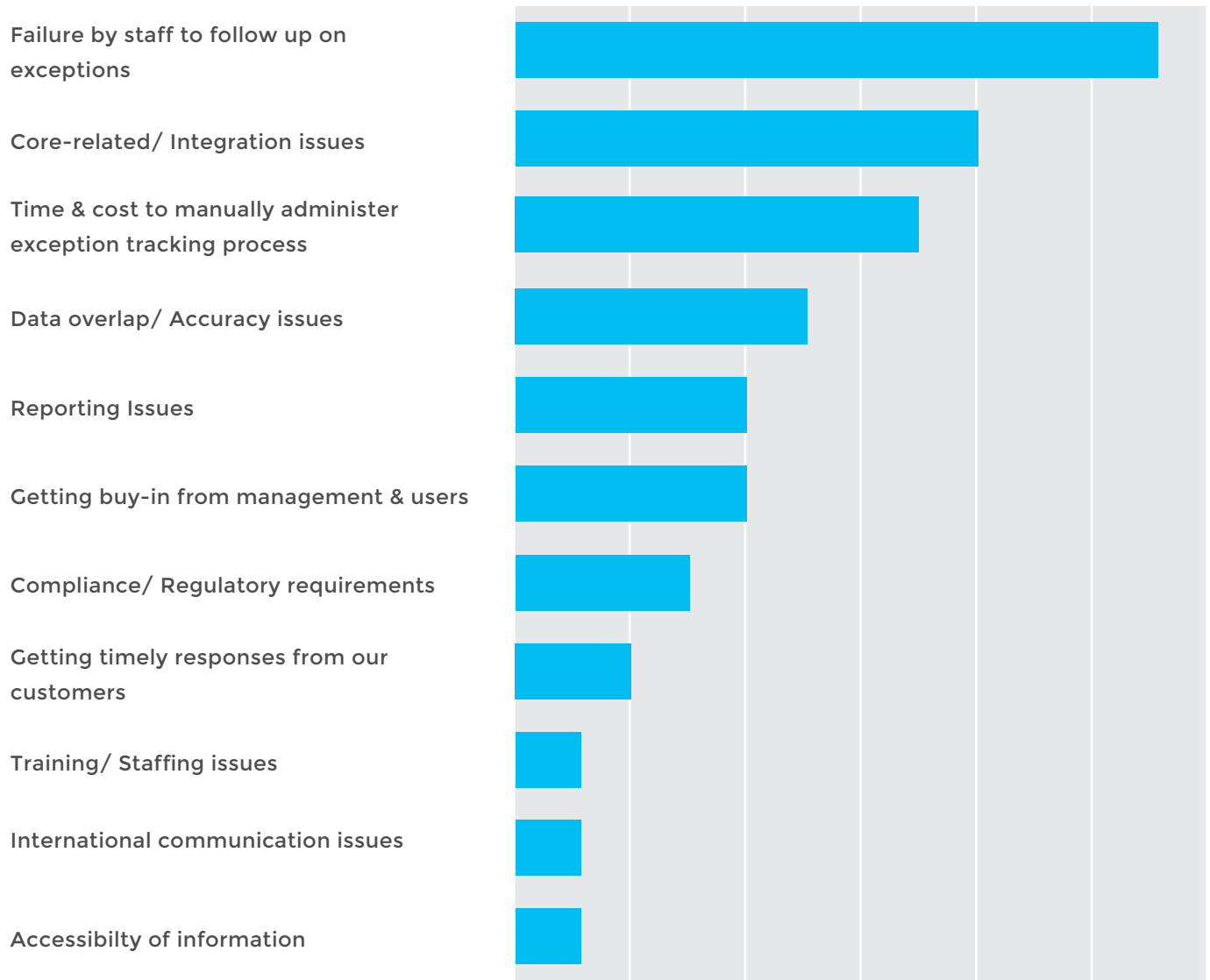


## Loan Document Management Systems Make Wise Investments

Over 43% of respondents believe electronic exception management systems are good investments because they add more value than using spreadsheets or manual ticklers. Only 9.76% of those surveyed believe such systems are not worth the upfront cost. This speaks to the industry’s positive perception for ROI as it relates to automated exception management technology.

# Biggest Challenge

In my opinion, the biggest challenge facing our exception management process is:



## Manual Processes are Causing Issues for Banks

When asked to provide open-ended feedback about exception management processes, financial institutions pointed to issues pertaining to legacy systems and processes. The five most common answers had to do with failures by staff to follow up (23%), insufficiencies of their core systems (17%), time and cost associated with manual processes (15%), data overlap and accuracy (11%), and reporting (9%).



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