

# FINANCIAL INSTITUTIONS AND DOCUMENT REVIEW CHALLENGES

Looking forward in 2021, banks are under increased pressure to review large volumes of documents within short timeframes. Reasons for this are numerous. For example, due to a pending change in the sunset of the London Interbank Offered Rate (LIBOR), banks must review hundreds of thousands of LIBOR Adjustable Rate Mortgage (ARM) contracts to classify the fallback path and other terms. Since LIBOR impacts a large universe of products in addition to mortgages, banks must plan for the recast of every in-scope contract to their LIBOR alternative. In other situations, such as qualified financial contract (QFC) remediation under resolution planning, banks must evaluate large groups of counterparty and liquidity agreements with complex terms, often with substantial cross-linking. A third driver of document review is loan forbearance in retail and commercial banking, as lenders grapple with a myriad of loss mitigation challenges, sometimes resulting from bank consolidation.

Purely manual file review solutions are not ideal in these situations because they add to project costs and duration, as file reviewers can only review so much contractual language during a given timeframe. In addition, the increasing complexity of document review often implies more significant staffing. You can scale expertise; however, improving efficiencies becomes challenging beyond a certain level. Consequently, manual reviews are more closely associated with more extensive fixed staffing than other, more dynamic approaches.

In comparison, fully automated document reviews with no manual intervention, which may be desirable in theory, are often difficult to attain and prone to error. Limiting factors include the consistency of file review language to be cataloged, low file quality, and the number/complexity of search terms to automate. An automated solution that incorporates optical character

recognition (OCR), for example, often only yields 80-plus percent accuracy without complementary manual review to provide 'human correction.'<sup>1</sup> In addition, while machine learning (ML) and artificial intelligence (AI) elements can provide a lift, full reliance on these technologies to auto-decision complex outcomes may be too daunting to consider, given their potential legal and/or other consequences.



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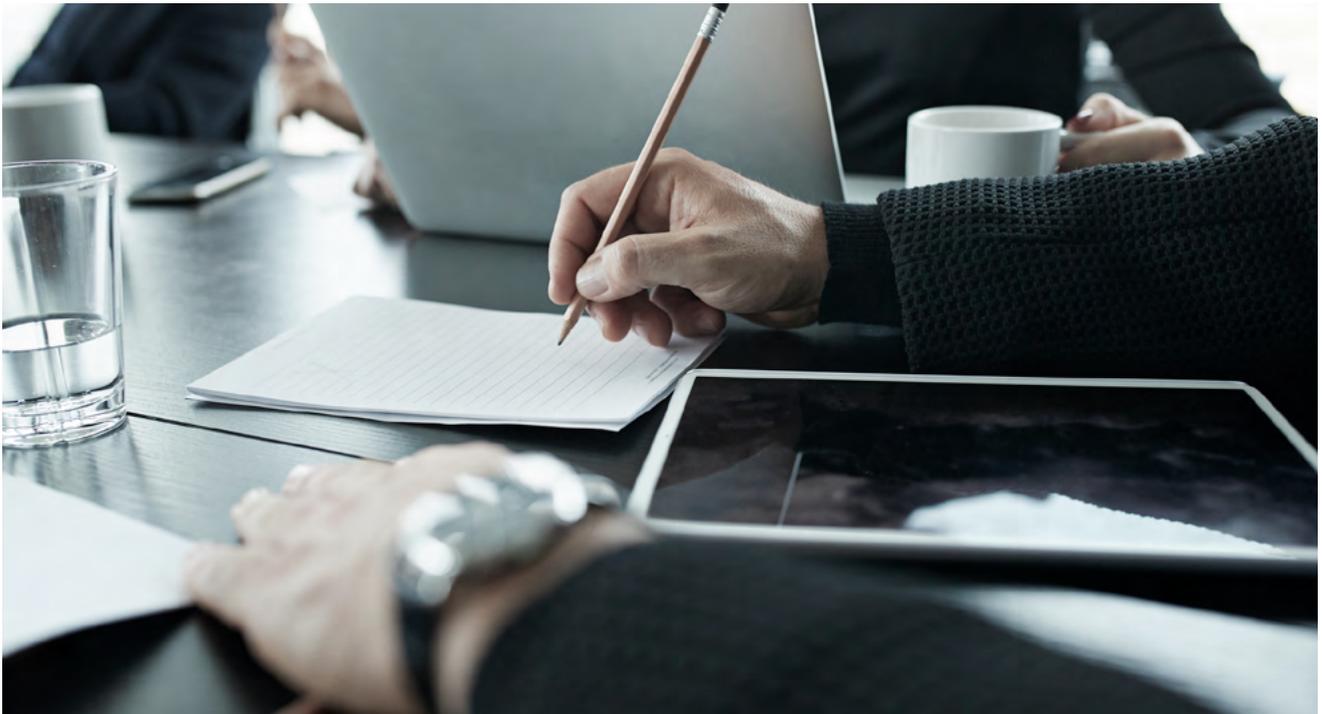
<sup>1</sup>Accuracy lift is based on Capco's parallel experience in mortgage OCR outsourcing, and is consistent with multiple vendor studies

## CAPCO'S HYBRID SOLUTION TO DOCUMENT REVIEW

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Based on feedback Capco received from senior executives at top-tier institutions, banks requiring extensive document review face both complexity and scale challenges. In some situations, the contract review process involves multi-document interlink and multi-term searches to boost productivity. In others, a review of large volumes of more standardized contracts can be enhanced by term tagging and document queueing. Capco's proven File Review solution is a hybrid (blended automated and manual) model that combines an OCR technology accelerator with regulatory and business consulting experience to provide efficiency in productivity, speed, accuracy, and compliance. This hybrid approach can be readily optimized for either complexity or scale, important since banks facing common challenges have unique circumstances. The solution is customizable and can accommodate bespoke requirements, even mid-way through a review, and will enable a quick scale to full productivity.

Whether scale or complexity is at a premium, banks often find that expert judgment is required to decipher the complex language and render context-driven decisions. To that end, Capco's hybrid File Review solution balances efficiency gains from ML and pattern recognition with trained subject matter experts. These individuals may be focused on individual steps in a complex review lifecycle or drive decisions from end to end. In both cases, reviewer training begins with deep familiarity with the problem at hand, such as QFC remediation, then shifts towards key decision points in the review lifecycle, perhaps expressed as search terms for review and decision points associated with those terms.



# BENEFITS OF CAPCO'S HYBRID SOLUTION

Faced with document review challenges in 2021 and beyond, senior bank executives are understandably interested in demonstrable solutions delivered cost-effectively. As of the current date, Capco's File Review solution is deployed in a review of LIBOR ARM contracts at a top-tier institution. A manual review of files is facilitated using a custom-built OCR Tool, which allows for a lean reviewer team. The Tool's guided workflow directs users to perform the classification of several data elements, and management and IT oversight support the reviewer team. The outcome is a loan-level accounting of contracts reviewed, positioning the bank for a successful LIBOR transition across multiple business lines. In this application, Capco achieved the following efficiency gains on behalf of the bank using this hybrid approach:

Benefits Achieved Through Capco's Hybrid File Review Process	
Reviewer Productivity Increase by <b>41 percent</b>	<ul style="list-style-type: none"><li>• The average number of files reviewed per reviewer increase from 370 to 525 files per day</li></ul>
Management/ Reporting Time Decrease of <b>78 percent</b>	<ul style="list-style-type: none"><li>• Daily time spent aggregating individual reviews decrease from 90 minutes to 15 minutes</li><li>• Time includes data 'clean-up' and scrubbing of individual reviews for completeness</li><li>• A decrease in time also includes dashboard reporting and time spent monitoring worker productivity</li></ul>
Loan Escalations Review Time Decrease of <b>67 percent</b>	<ul style="list-style-type: none"><li>• Time decrease in reviewing individual loan escalations before sending to bank decreased from 45 minutes to 15 minutes</li></ul>

Note that every situation is unique, but banks face similar challenges in file review across their business lines. Whether optimized for speed or complexity, Capco's File Review solution drives successful outcomes for banks and their counterparties.

## REQUEST A DEMO

Learn how Capco's File Review solution can best meet your needs by scheduling a demonstration. Feel free to reach out to Justin Wellen at [justin.wellen@capco.com](mailto:justin.wellen@capco.com) or Eric Glaas at [eric.glaas@capco.com](mailto:eric.glaas@capco.com) for more details.

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