

RETHINKING CECL - INNOVATIVE INSIGHTS TO DRIVE BUSINESS, NOT JUST YOUR RESERVE

By Jeff Goldstein SVP, Regional Manager, PCBB

Can CECL help your bank be more innovative? Yes. In fact, we have found that there are ways to leverage the CECL transition for more groundbreaking strategic planning.

Most community bankers are starting to prepare for CECL by collecting additional loan data. Yet, the plethora of data collected can not only be used for CECL calculations but also for strategic planning. Whether you have been thinking of M&A, adding new business units or discontinuing products, the data itself, and the technology used with the data, allow you to be more proactive, shrewd and thoughtful about your strategic planning.

Use the data for achieving long-term goals

Some banks may feel that they cannot capture all the data, and so they don't have the benefit of leveraging enough information for their strategic planning. However, backfilling with industry data and dynamically grouping loans for CECL makes it possible to look at different characteristics and run various "what-if" scenarios to gain a deeper understanding of long-term trends.

The resulting trends will help you better assess which long-term goals are more realistic and which ones need more research. For example, your data may tell you that a specific lending team's results are not as strong as expected, or trends may indicate certain niche markets are no longer as viable.

Use your time more wisely

With CECL, you need to gather and automate your data. Once you have done that, not only will you be able to more easily figure out your reserve, but you will also be able to put more energy into areas you didn't have as much time for before, such as customer profitability. Management can now dig deeper and



look further into relevant innovations and industry trends, and determine how it wants to incorporate both.

Use greater transparency to your strategic planning benefit

One of the outcomes of CECL is greater transparency—for your bank, the auditors and the examiners. So, you will definitely need to be well-versed on how you calculate your reserve. But, not only that, this transparency gives you the detail and insight you need to justify your strategic plans to your board. All the data will be clean, properly linked and readily available. If your board questions a strategic direction, you will immediately have the "drill-down" data needed to back up those decisions.

We all need to transition to CECL. However, using the data gathered for CECL and applying deeper insights for strategic planning allows banks to position themselves ahead of the business curve.

If you are looking for the right technology to help you gather your data, provide you with the depth and transparency you need, and facilitate more robust strategic planning, PCBB has a solution for you. Let us know how we can help you with CECL as well as with innovative insights for strategic planning. ■

For more information on CECL and how to leverage the data, visit the CECL Resource Library or contact Jeff Goldstein.



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Dedicated to serving the needs of community banks, PCBB's comprehensive and robust set of solutions includes: cash management, international services, lending solutions and risk management consulting services, including CECL.