

Selecting Your Software

Purchasing loan software is a large upfront investment. The more you plan to scale and automate your program, the more it will cost. Choosing software that meets your organization's needs for now AND in the future can save you time and money in the long run.

Each loan software program has its own special features, strengths, and points of frustration. Before launching into a comprehensive scan of loan software, conduct an inventory of your organizational needs. Think about:

- Staff time and technical expertise
- Loan portfolio size and targeted growth
- Types of products that you offer (or plan to)
- Types of reports you will need (credit reporting, CDFI reporting, etc.)
- Outcomes that you plan to track
- Which processes you plan to automate versus do manually
- How you plan to integrate lending with the other services that your organization provides
- Desired functionality for borrowers: For example, do you want borrowers to be able to access information about their loans?
- Need for remote access
- Number of users who will need access to the platform

Often, software companies will provide demos so that you can get a feel for the platform. CBA does not recommend one software over another; each organization needs to find the right fit for their needs. However, CBA can provide more in-depth information on software considerations.

Considerations for Choosing Metro 2[®] Capable Software

The following tips capture ten considerations for nonprofit lenders looking to purchase or upgrade Metro 2[®] capable software for consumer and/or commercial reporting. CBA does not offer Metro 2[®] capable software and does not directly endorse software but has found these topics come up for most lenders as they begin their search:

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| ■ Cost | ■ Process automation level |
| ■ Capability to report prior history/closed loans | ■ Integration with other program software |
| ■ Capability to handle specialized reporting, | ■ Tech support availability |
| ■ Capability to create SBA 504, CDFI, EDA, | ■ Number of users/licenses |
| Assistive Technology, and ORR reports | ■ Customization/Module options |
| ■ Flexibility to make updates and corrections | |

1. Cost

Ranging from a few hundred to a few thousand dollars, any software program should be viewed as an investment in both credit building and capacity building for your organization. Cost is often a large factor in an organization's decision, and it is often broken down by which specific features a lender might most need:

Basic (\$)

- Basic loan management with standard, generally compliant Metro 2® file creation.
- Designed for small portfolios (generally 50 loans) and little variance in loan products.
- Generally consumer-only reporting, though a few systems will also offer commercial reporting.
- Account corrections can be labor intensive, requiring multiple touches and manual account review.
- Customer service and tech support is more minimal, often requiring users to purchase blocks of tech support hours and/or reference the user manual.
- Limited user access included in license agreement, often only extending to 1-2 people (with option of buying more user licenses).

Mid-Range (\$\$)

- Basic-to-intermediate loan management with standard, generally compliant Metro 2® file creation.
- Generally designed for medium portfolios (50-250 loans) and most types of loan products.
- Account corrections are automated, but user might find cases of system inflexibility when making updates.
- Customer service and tech support are included in the package, though often not unlimited.
- Limited-to-advanced features related to report generation (e.g. Assistive Technology Reporting, CDFI Fund reporting, general funder reports) that may require purchasing additional modules from the vendor.
- More inclusive user access with license agreement, extending from roughly 1-5 people.

Advanced (\$\$\$)

- Advanced loan management with standard, generally complaint Metro 2® file creation.
- Designed for larger portfolios (250 or more loans) and most types of loan products.
- Account corrections are highly automated, requiring little-to-no touch from user.

- High-to unlimited customer service and tech support.
- Advanced report generation beyond Metro 2[®], including SBA, CDFI, and ORR funder reports and more flexible statement and invoice generation.
- Inclusive user access with license agreement, generally unlimited unless otherwise stated by the vendor.

Many software are marketed more directly toward nonprofit organizations, recognizing their more unique needs when it comes to servicing and reporting. In some cases, these software vendors will offer discounts on their services.

Software is an investment, especially when considerations are made for potential organizational growth. Many CBA members have found success in reaching out to foundations and local bank partners for software set-up funding to help offset some of the costs, knowing how valuable a good, functional software – that meets an organization’s unique and specific needs – truly is.

Takeaways: Evaluate what features might be necessary versus just desirable and research if different software have these features built into their software, don’t offer them, or require you to purchase specific modules to access them. Some software vendors have also shifted to cloud-based systems that operate on a series of modules, which can cause the price to vary based on which modules you want to purchase. These subscriptions may be monthly or annual.

2. Capability to report prior history/closed off loans

Lenders who are new to reporting overwhelmingly value Metro 2[®] capable software with the capability to report previous loan repayments so that borrowers do not miss months of positive credit building activity due to either delayed setup or system inflexibility. Medium-to-high cost software tend to provide this feature; many of these same software vendors will also provide an option to exclude history before a certain date or to report both active and closed/paid-in-full loans with up to 24 months of previous payment history. Some lower-cost systems can populate historical data but do not automate it, requiring manual configuration.

Takeaways: Before purchasing software, consider if you’d rather report full history (Metro 2[®] format allows a maximum of 24 months of history) or if you’d rather start reporting from a set date. There are legitimate cases for both. Keep in mind that accurate reporting requires both positive and negative data, so reporting full history may display derogatory information for some clients. Alternatively, excluding prior history will not provide positive history for those who have been making their payments.

3. Capability to handle specialized reporting, such as commercial borrowers or mortgages

The majority of software vendors that provide Metro 2[®] capability in their software target consumer lenders or those with, at minimum, clients serving as primary borrowers or guarantors

for their businesses. Some lenders also wish to report to the commercial bureaus, Dun & Bradstreet and Experian Business. These bureaus will require Metro 2® files that incorporate commercial data – namely business name, business contact information, and ECOA code W (the code that indicates the borrower is a business, which is liable for repaying the loan). As of 2020, a number of software vendors have begun offering this ability, in addition to more standard consumer reporting.

Mortgage lenders require software with escrow account management and often require software that has additional features specific to mortgages, which might be available as modules or might require purchasing mortgage-specific software, rather than more general loan servicing software.

Takeaways: Software that provide more specialized reporting often fall in the medium-to-high cost range. They might also require purchasing special modules that can handle this type of reporting. It's important to consider if a more general loan servicing software can meet specific needs for these lenders, as some software, but not all, have taken steps to offer these features – especially related to commercial reporting. For mortgage reporting, situations that aren't usually important to general consumer lending – like escrow, foreclosure, and foreclosure alternatives – all become incredibly important.

4. Capability to create SBA 504, CDFI, EDA, Assistive Technology, and ORR reports

Each Metro 2® capable software is designed to meet different data reporting requirements, often based on the type of lenders to which it markets. Many of these software will offer built-in reporting capability for some of the most common organization needs, including CDFI and SBA reports. In some cases, this will be built into the software; in other cases, organizations will need to purchase specific modules, based on if they need them. Other reports can assist with outcome tracking and customized data required for funder reports.

Takeaways: Generally, organizations will need to look at medium-to-high priced software for these options, as lower-cost software tend to offer less automation and storage of data required for this type of reporting. If organizations already have outside software for outcome tracking or data capture, they might not be interested in these features or may elect not to purchase these modules. If software does offer module-specific features, organizations should have the ability to purchase them at a later point if they are later deemed necessary.

5. Flexibility to make updates and corrections

No software is perfectly Metro 2® compliant, especially as scenarios become more unique or uncommon (e.g. clients being released of liability; clients moving into payment holidays or accommodations; clients with a more complex restructure). It is critical to know approximately how much effort users are expected to exert when making corrections and/or updating accounts

to ensure accurate reporting. Errors happen, and there needs to be a means of addressing issues to prevent them from re-reporting in the future.

Takeaways: It's a good idea to check with software providers about different client-specific situations that you might encounter, like how to update ECOA Code (the field that tells how a borrower is liable for a loan) in the instance a borrower is deceased, has their liability removed, or is incorrectly reporting on a loan for which they are not liable. It can also be valuable to learn more about how accounts get corrected and if overrides are an option. As an important note, lenders should never manually modify a Metro 2® report. Corrections need to happen in the software and may require assistance from your software vendor.

6. Process automation level

Portfolio size, staff capacity, and technical expertise generally factor into the level of automation required in a Metro 2® capable software. Many lenders prefer to purchase a software that automates most (if not all features) to help save time and put less pressure on employee workload.

Organizations with larger portfolios often require this feature since more loans means more time for underwriting, posting transactions, tracking activity, sending borrower notifications, and generating reports for stakeholders. In some cases, organizations with smaller portfolios have more flexibility in the amount of time and energy they are able to devote to manually updating accounts in their software system; however, a staff's comfort level with a new software might also play a role in determining how automated their Metro 2® capable software ultimately is.

Takeaways: Consider any time that might be required to train staff on using software and the importance of ensuring more than one staff member understands how to use the software for reporting. Every person has different comfort levels with software and technology, making this process a little overwhelming at first. Thus, a software vendor's technical assistance offerings might become an important component of software selection.

7. Integration with other program software

Not all loan management systems are able to generate a Metro 2® file, but there are ways to bridge existing systems to create the file without having to invest in a new platform. There are currently lower-cost, stand-alone Metro 2® capable software options for lenders who use Excel and Access (or systems that can generate Excel or CSV files) to track loan repayments. This software can convert these files into the required Metro 2® format, allowing both consumer and commercial reporting, without requiring that the lender purchase a new software. These software are generally only used for Metro 2® conversion.

Other lenders might be using Salesforce, QuickBooks, Outcome Tracker, or other systems for important operations and data management. Some Metro 2® capable software offer integration with these platforms, often through specific modules for additional costs.

Takeaways: Consider the other systems currently in use and if your organization is committed to using them long-term. Some of the higher cost software have integrated many of their own takes on these types of systems into their software, creating a one-stop-shop for accounting, grants management, customer relationship management, marketing, and more. Other software exist just to convert data into Metro 2[®] format and can be ideal for (particularly smaller) lenders who have existing systems they feel comfortable with and plan to continue using.

8. Tech support availability

Technical support varies depending on the software package purchased. Generally, lower-cost programs offer limited set-up and technical support, whereas higher-priced software provide advanced demonstrations, product offerings, and ongoing support. Most, if not all, software should provide a user manual with some information about credit reporting components. Some software will also provide online knowledge bases, which also offer the ability to submit “tickets” and ask for assistance.

Some software vendors may require a separate service contract, while some are more user-friendly overall. Ongoing technical support is often provided under medium-to-high priced options, though all software vendors might have options for purchasing additional technical support hours.

Takeaways: Keep in mind the level of technical literacy on staff and be frank about how much support you may need. Also draft a list of question for your potential software vendor, including the level of technical training their staff and/or users have, how their programs are updated (e.g. software patches, downloadable versions, etc.), and their ability to respond to requests in a timely manner.

9. Number of users allowed in licensing packages

Licensing agreements often limit the number of unique individuals with access to software platforms, which can be burdensome for larger organizations that depend on interagency efforts or multiple loan officers. Medium-to-high cost software tend to offer more licenses to unlimited licenses. Lower-to-medium cost software tend to offer fewer licenses but often provide ability to purchase additional user permissions. Regardless of package, you should be aware of how many staff need to access the software and any license keys that may be necessary (especially in the instance there are staff transitions and/or hardware updates).

Takeaways: Some software also have “desktop” single computer limitations, in which they are installed on one computer rather than “cloud” options that can be accessed electronically from everywhere. This may also be an important lender consideration, especially if staff are constantly on the move, your organization has shifted to remote work, and/or multiple users need access to the software.

10. Customization/Module options

Various software programs have core platforms that can be customized with performance or metric modules, providing a complete package with potential add-on features as needed. Customization equates to flexibility; however, the costs are not always immediately realized and can increase as customization grows.

Final Takeaways: Lenders should consider which software is best for current needs as well as needs in the future. Some organizations plan for and experience drastic changes in their portfolio size or funder reporting based on grant availability. This may lead to demand for more features over time. The ultimate goal is to select flexible software that has, or is capable of having, desired modules that could benefit all program goals.

Have additional questions?

Each platform has its own bells and whistles, while staff time, technical expertise, portfolio size, and loan variety will ultimately inform your software purchase. Every lender needs to consider their own needs in making this purchase, and it generally shouldn't be a snap decision. If you have questions, please feel free to reach out to the CBA Bureau Services team for additional assistance: 202-730-9390 or help@creditbuildersalliance.org