



GUIDE

How Centralization and Standardization Benefits Lenders in the Construction Industry

With the rising scrutiny facing commercial real estate lending, executives need a solution that provides more transparency than ever. Frequent audits, increased exposure from commercial real estate, and mounting concerns about the economy require construction lenders to take extra steps to maintain trust with stakeholders. The era of “extend and pretend” is over—when your boss requests an update, they’re asking for information now; and

“55%

of lenders report that their current processes do not work as effectively as they need.”

This is largely due to the lack of unified information and standardized processes.

Many Construction Loan Administrators develop their own unique way of processing draw requests and tracking project information. This works fine on an individual loan level, but when it comes time to connect this data for executive reporting or to understand the total construction portfolio, it can be draining for leadership. Without a standard process, operational leaders don’t have evidence that CLAs have taken all the necessary steps to eliminate errors and ensure compliance with loan covenants. Even if you implicitly trust your team, the stakes are too high not to double or even triple-check your team’s work. But who has time for this additional oversight?

To make things harder, developers continuously submit change orders, invoices and lien waivers, for example, that may have several versions or different formats. Often, multiple rounds of attachments are sent via email. When this information isn’t centralized on a platform, it’s impossible to know which document is the most up-to-date version.

If you find yourself manually reviewing documents and validating loan covenants, you're not alone—76% of lenders report spending too much time double-checking another person's work. The current economic conditions don't allow for this type of time-luxury. Increased exposure and the end of "extend and pretend" means that construction lending departments face more scrutiny than ever before. The time demand of an audit alone is enough to overtake a construction lending leader's schedule; it's becoming less practical to review disjointed information manually.

Executives in construction lending need standardized processes that allow for easy tracking and validation. They need a centralized repository for information so they can provide a unified portfolio-level update at a moment's notice. Ultimately, they need to know what's happening everywhere all the time. It's only possible with centralization and standardization.

How Centralization Increases Trust

- **Real-time insights.** When a stakeholder asks about current exposure, they don't want to hear, "I'll get back to you." Without centralization, CLA leaders search for data in several places to report on the full portfolio. When utilizing a centralized repository that unifies documentation and associated data, a report can be pulled in just a few minutes.
- **Faster audit response.** If you're one of the many lending institutions subject to more frequent audits these days, you know how crucial a paper trail is. You need clear visibility into activities like change orders, lien releases, and project updates for each loan. Software that centralizes information automatically tracks this for you. Instead of spending days hunting down each piece of the puzzle, a centralized system keeps it organized.
- **Better visibility.** When all information is unified in a central location, lenders benefit from improved visibility across their loan portfolio. Software purpose-built for construction loan management can provide instant portfolio updates whenever you need them.

How Standardization Increases Trust

- **Increased capacity.** Many departments are faced with an increase in loan modifications or an influx of work due to the purchase of another lender's loan portfolio. This means more work with the same (or even fewer) staff members. Construction loan leaders can handle the increased workload when everyone follows a standard system backed by automation.
- **More control.** Department leaders who have established standard processes recognize errors quickly and have more options to mitigate risk factors.
- **Time savings.** Standardization reduces the time your team spends on manual data-entry, scrolling through PDFs, or checking loan covenants. When everyone follows the same process, it's much easier to spot-check information for accuracy.

All eyes are on commercial real estate lending. According to the Business Observer, more than half of the largest banks in the U.S. are “at increased risk of failure due to their commercial real estate (CRE) exposures.” As the economy tightens and exposures worsen, CLA leaders need to find solutions to centralize and standardize their information. Lending institutions are increasingly relying on construction loan management software to ease the administrative burden. From smoother audits to stronger risk management, industry-specific software platforms like Rabbet are giving loan administrators much-needed peace of mind when facing today’s challenges.



It’s time to stop putting your trust in systems that no longer fit the industry’s needs. Lenders who implement standardized processes and create a central repository for information are more likely to be successful during tough economic times. Download the 2024 State of Construction Finance report to learn more about how lenders are leaning into centralization and standardization, prioritizing process improvements and investing in construction loan administration software.



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