

SchoolsFirst Federal Credit Union reduces overhead, automates reporting and unlocks insights for its Loan Participation program



“The time and cost savings we have achieved by automating the investor reporting of our entire loan participation portfolio is a total game-changer.”

– Jason Stiles, Vice President of Loan Participations
SchoolsFirst Federal Credit Union

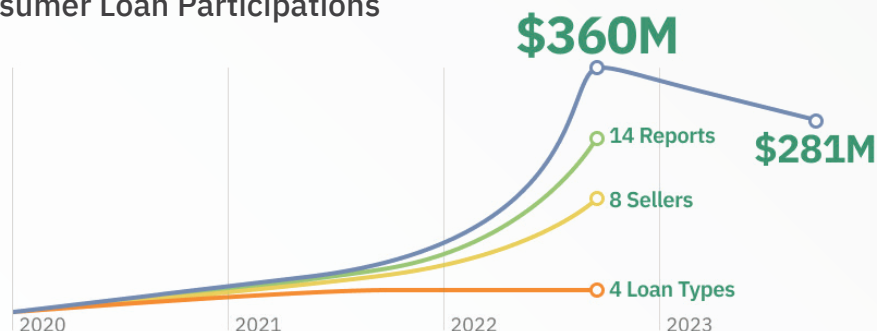
Background

SchoolsFirst Federal Credit Union, headquartered in Tustin, California, was established in 1934 to serve California school employees and their families. It is the largest credit union in the state and the fourth largest in the U.S. with over \$30B in total Assets. It has more than 1.4 million members across 72 locations.

Managing an Expanding Loan Participation Portfolio

Beginning in 2020, SchoolsFirst substantially increased its purchasing of commercial and consumer loan participations, growing its overall participation portfolio to over \$652.5M outstanding by late 2022, a 280% increase from the prior year, spanning 5 loan types across 8 sellers. However, by Q3 2023 managing this expansion was so challenging that their consumer loan participation portfolio had collapsed 22%.

Consumer Loan Participations



The Problem: Fragile Workflows and Growing Workloads

While these purchases helped SchoolsFirst balance and diversify its loan portfolio, the additional administrative burdens brought on by the expansion of the participations program stretched the resources of its accounting, credit risk and reporting teams. This effect was exacerbated by:

- A lack of standardized reports provided by its participation sellers that use bespoke file formats, label data differently and follow irregular delivery schedules
- Manual and error-prone workflows associated with retrieving reports and processing data that may come from the sellers themselves or third-party servicers
- Multiple internal validations, error resolution procedures and reporting processes across different departments (i.e. accounting, reporting and credit risk)

With more loan participations on its books, SchoolsFirst's reporting workflow grew more complex and seemingly simple issues like payment reversals, rounding errors and basic discrepancies between reported numbers and wire amounts multiplied operational headaches.

The Solution: Automated Reporting with LoanStreet

Designed for loan participation deals done both on and off the LoanStreet Marketplace and suitable for participation programs of any shape and size, LoanStreet's Reporting process eliminates errors, inefficiencies and administrative overhead. It allows institutions like SchoolsFirst to transform their back office operations and focus on fine-tuning strategies and scaling up participation programs.

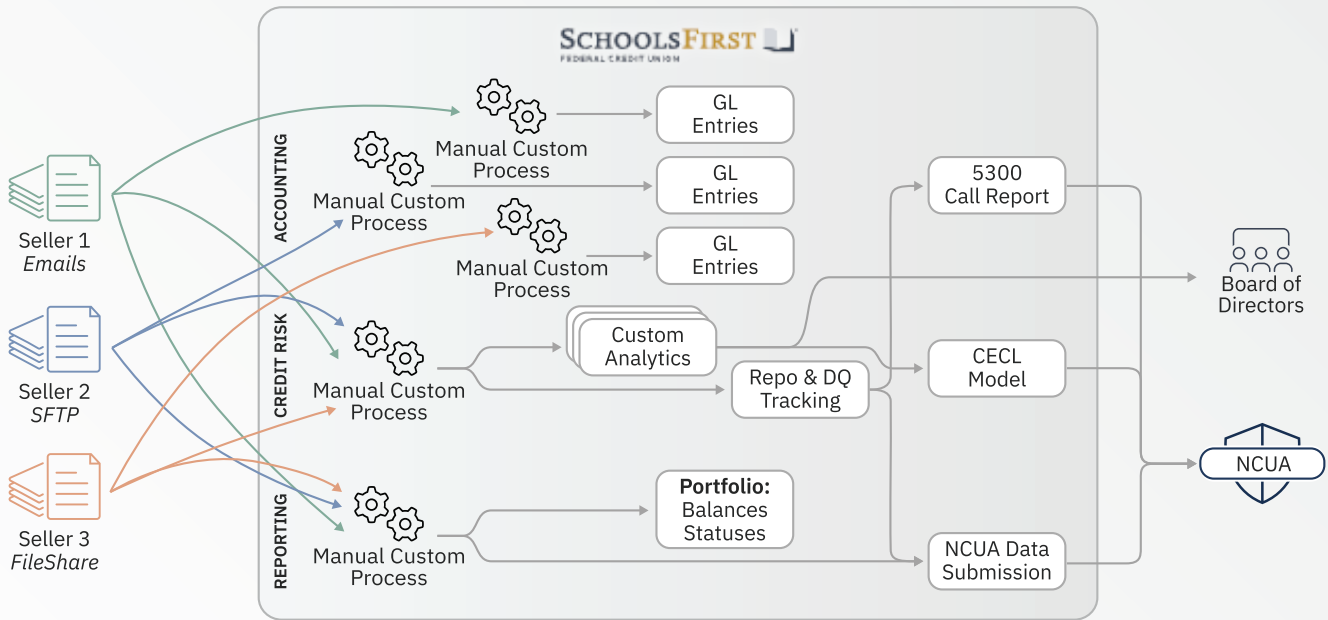
LoanStreet's Reporting solution helped SchoolsFirst:

- Consolidate and streamline reporting, accounting and risk analysis efforts for all sellers and asset classes across its \$360M consumer loan participation program
- Identify discrepancies and work with counterparties to resolve issues that are difficult to detect manually but could lead to costly variances in cash receipts
- Produce fast accurate compliant portfolio and loan level reports
- Create 5300 Call Report entries and deliver NCUA data uploads
- Analyze its balance sheets and calculate CECL reserves
- Respond to compliance and audit requests with ease
- Optimize capital usage by leveraging actionable insights into pool performance, such as prepayment speeds, cumulative charge-offs and detailed income analysis.

Streamlining Individual Internal Workflows

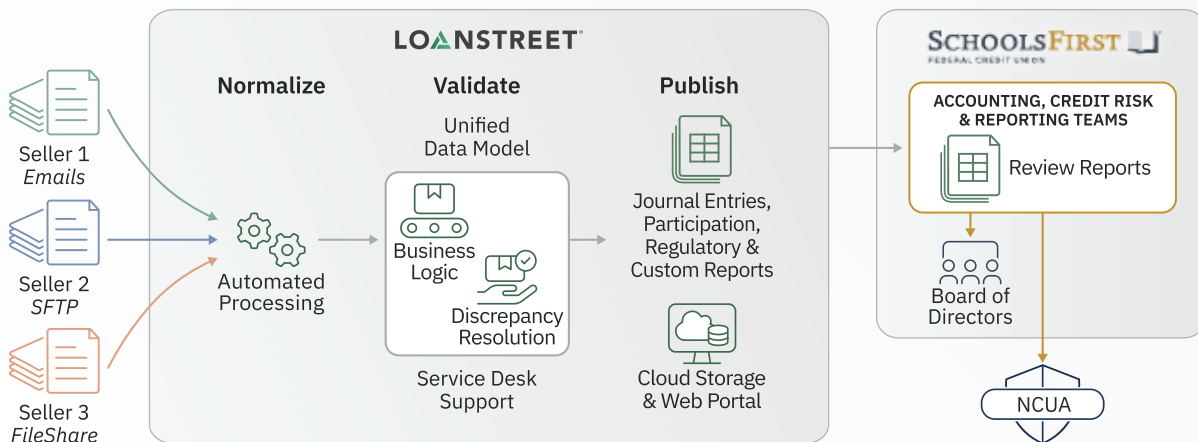
Managing multiple reports from various sources for 8 separate participation relationships, the complexity of SchoolsFirst’s workflows increased exponentially with each additional seller.

Below is a representation of these workflows (prior to LoanStreet) with just three sellers:



Leveraging over 10 years of experience ingesting, normalizing and consolidating reports of all formats, shapes and sizes, LoanStreet was able to streamline all of SchoolsFirst’s participations reporting workflows, while unlocking powerful insights about the performance of their program.

The diagram below depicts an enhanced streamlined workflow with LoanStreet:



The LoanStreet Automated Approach to Data Processing

There are three phases of processing participations data for a large institution:

Phase 1

Gather & Normalize Data

- From Any Source:
 - Direct Feed
 - File Share
 - Email
- In Any Format:
 - Excel
 - CSV
 - Text
 - Etc.
- Transform to fit a unified data model

Phase 2

Validate, Load & Report

- Apply business logic and validations
- Update Loan Data
- Book transactions against balances
- Surface discrepancies and anomalies
- Work with clients to resolve issues
- Finalize consolidated remittance reports

Phase 3

Analytics & Custom Reports

- Analytics Enablement:
 - Performance Monitoring
 - Analysis & Projections
 - Printable Board Reports
- Enhanced Reporting
- General Ledger
- 5300 Call Report
- NCUA Data Delivery
- Year End Summaries
- Customizable Reports

LoanStreet plugs into all seller data sources and produces a uniform set of standard monthly reports with additional outputs tailored to SchoolsFirst's ultimate delivery needs. This standard is applied to hundreds of credit unions; the consolidation and clarity it provides can improve overall workflows, identify variances and greatly reduce the time spent on resolving errors and booking entries.

Streamlining the Entire Monthly Reporting Lifecycle

Inefficient error-prone manual processes presented each department with a growing source of stress, work and risk, especially when dealing with delayed and ever-changing remittance reports, making it difficult for the CU to close its books in a timely fashion each month.

LoanStreet's reporting operations experts worked hand in hand with members of SchoolsFirst's reporting, accounting and credit risk teams to bring all of their existing reporting dependencies and various internal workflows into alignment. This was accomplished by determining essential pathways, eliminating unnecessary steps and developing a set of customized reports in order to shift all deliverables to flow from a single source of truth – LoanStreet.

Accommodating Special Situations

- Booking in Arrears
- Charge Off Reversals
- Bankruptcy Cramdowns
- Principal Waivers
- Interest Remediations
- Ancillary Seller Report

Surfacing Historical Errors

- Missed Recoveries
- Miscalculated Income
- Inconsistent Fraud Repurchases
- Understated Charge Offs
- Overreported Recoveries
- Missing / Replaced Loans

Custom Reports

- Automated Journal Entries
- Net WAC Calculations Per Seller
- Monthly Summary: Net WAC, WAM Avg Balance, % MOM Change, % DQ
- Quarterly Loss Severity
- Year End Summary: DQ, FICO, LTV
- Forward Flow Vintage Performance

Conclusion

Within three months, LoanStreet succeeded in onboarding all of the historical transaction data for SchoolsFirst's entire consumer loan participation program. As a result, SchoolsFirst was able to:

- Streamline its buy-side reporting workflows
- Catch variances in seller reports and avoid manual errors
- Consolidate redundant efforts across teams
- Dramatically reduce the time spent on its monthly processes, saving:
 - Accounting **~1 Day**
 - Credit Risk **~1 Day**
 - Monthly Reporting **~2 Days**
 - Custom Reporting **~4 Days**
 - NCUA Data Submission **~10 Days**
- Activate LoanStreet's Premium Analytics and access valuable performance insights

Looking forward, SchoolsFirst can now:

- Focus its resources on strategic portfolio management instead of operational tasks
- Effortlessly expand its participation program, with the ability to seamlessly integrate new purchases into LoanStreet's existing reporting structure.
- Leverage LoanStreet's premium analytics suite that provides powerful visualizations of historical performance, current trends and forecasting.

LoanStreet Solutions Used

Historical Onboarding	Participations Reporting	Automated Journal Entries
5300 Call Reports	NCUA Data Submissions	CECL Reserve Modelling
Custom Reporting	Audit Request Handling	Performance Analytics

* SchoolsFirst is also a pioneering user of LoanStreet's **Commercial Loan Servicing** platform

About LoanStreet

Contact us today to learn more about our platform and products. With over 1,300 financial institutions registered and hundreds already receiving our reports, we are ready to help you build a more efficient loan participation model.

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