Presentation

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LOAN OBJECTS

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LOAN OBJECTS

I. From strategy to product

Our strategy :

1. Address the **most solvent** “market segment”

   → “Credit” is the most profitable of all banking business lines

2. At the same time, address a **much larger** “market segment” than most banking software editors do.

   → In most countries, there are much more companies making a business of lending money, than true banks.

   → a “credit management” software would find much more customers than generalist banking softwares

3. Present this segment with the “cheapest ever” IT offer by keeping – from the very start of the application’s lifecycle - to all modern architecture “best practices”

The product :

LOAN OBJECTS =

Detailed formalized design (to be used as specifications in a development project)

… of a **full international** credit-to-individuals (ie consumer credit + credit cards + mortgage loans + leasing…)

… software

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LOAN OBJECTS

II. 5 **top benefits** from building one's Information System with *LOAN OBJECTS*

1. Meets all needs identified by :
   - One of Europe's consumer-credit leaders
   - One of France's mortgage-loan leaders
2. Low development cost
   - Estimated at less than1000 men-day by several independent experts
3. Low migration cost
4. Low maintenance cost
5. Low learning cost

These benefits are justified hereafter →

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III. From top benefits to the levers which brought them (1/2)

1. *Extensive coverage of business needs* thanks to :

   → On-the-spot analysis of the needs of the above-mentioned leaders

   This applies to **the whole credit lifecycle**, from origination to collection or write-off …

2. *Low development cost* thanks to :

   → Formal language/syntax used*

   Because it is presently the most suited to productive development methods

   → Model optimization*

   Because it keeps down the number of components (“classes” and “methods”)

   → Highest possible detail level*

   Because it prevents errors, and as a consequence brings down the length of tests

3. *Low migration cost* thanks to :

   → Model optimization*

   Because it keeps down the number of target classes in the migration

   → Formal language/syntax used*

   Because it makes plain and simple the meaning of target data, so migration rules are easy to set up

   → Adaptability to any organization*

   → For the French market mainly : our “initial settings” proposal

* *Focus on these levers on page 7*

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III. From the 5 benefits to the levers which brought them (1/2)

4. *Low maintenance cost* thanks to :

→ Formal language/syntax used*

Because it is nowadays the most suited to productive development methods.

→ Maximal use of parameters*

Because it allows the software to evolve without resorting to true developments

5. *Low learning costs* thanks to :

→ Formal language/syntax chosen*

Because the user's manual may be easily derived from our documents

→ Highest possible detail level*

Because it allows business rules to be known from anybody in the bank, at the most detailed level

→ Model optimization*

Which brings about a marked simplicity of the underlying software, most of the operations unfolding along the same lines

* *Focus on these levers on page 7*

IV. Focusing on 5 among the above levers

1. Formal language/syntaxis used

   This language is a subset of UML 2.0 with a few add-ons

   The whole design is almost **absolutely abbreviation-free,** which makes it quite reader-friendly.

2. Highest possible detail level

   This detail level allows to foresee **with 100% certainty** all apparent effects of the underlying software

      This is why *LOAN OBJECTS* may be used “as is” as specifications in an IT contract.

3. Conceptual optimization

   It is **impossible**, unless giving up lever #2, to design with fewer words a software with the same functional coverage.

4. Maximal use of parameters

   Any business rule, as long as it is not necessarily imposed on all banks around the world, may be freely **adapted** by the user-company

5. Adaptability to any organization

   It is **impossible**, unless leaving the Information System in an incoherent state, to split any of the designed “operations” into more elementary ones.

We pledge ourselves, contractually, to each of these 5 levers

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V. Architecture principles (1/4)

We may think any Information System as made up of 4 distinct sub-domains :

Sub-domain 1 :

Definition : what may also be found in businesses other than credit-to-individuals.

Examples :

- Operator management
- Business process design
- Appointment management
- Mailing

Usually recommended solution for this sub-domain : Off-the-peg software packages

For instance :

- Directory management software
- Business Process management software
- Word processing software

→ *LOAN OBJECTS* does not cover this sub-domain

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V. Architecture principles (2/4)

Sub-domain 2 :

Definition : what is **specific to the credit-to-individual** business, but is necessarily shared by all banks.

Our contribution : Functional design of the sub-domain

Sub-domain 3 :

Definition : what **should** be **customized** by each bank

Examples :

- Loan granting rules (scores…)
- How to compute interests as a function of capital, unpaid interests, unpaid insurance fees…
- Should a direct debit be emitted for the account ?

Usually recommended solution for this sub-domain : manage this domain with a "Business Rules Management Systems" or BRMS

Our contribution : is twofold :

• In sub-domain 2, we have spotted all "rules" that must be viewed as "customizable" and their "input" parameters, without filling in their body

• Our document "LOAN OBJECTS / Initial settings" is an example of rules fitting a middle-sized company selling credit in France

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V. Architecture principles (3/4)

Sub-domain 4 :

Definition : processings that read large quantities of data without updating them

Examples :

- Accounting
- Basel 2 reporting
- Scorecards

Usually recommended solution for this sub-domain : “Data Warehouse”

Our contribution : Our design includes all historical data which belong only to this sub-domain

- The link between “historical” and “primary” data is made plain and simple
- This includes all balances and entries useful for accounting

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V. Architecture principles : Conclusion

In order to get a full applicative solution around the software designed in *LOAN OBJECTS*, you still have :

1. To link it to 2 or 3 non-"business specific" softwares, at least :
   - a BPM software
   - a word processing software

2. To link it to a "Business Rule Management System" Software
   For instance : ILOG Rules, de ILOG/IBM

3. To plug the reporting applications (in particular, general accounting) to the physical implementation of the "Data Warehouse" designed in *LOAN OBJECTS*

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VI. Some strong points – business point of view (1/3)

- Suited to any national market
- Strong help to selling

  As soon as a client/contract is selected, a table of all possible/recommended offers is displayed
- Almost any service may be charged to the customer or to a third part
- No more customer “doubles” thanks to :
  - Putting aside customers you have not yet had time to compare with others
  - Powerful operations “merging” efficiently customer doubles
- Account balances are always exact *in real time*
- In case of error, all or part of the billing (interests, fees…) may be recalculated accurately from any chosen date onwards
- “Credit packages” management
- (personal) Guarantees management
- Debt consolidation management
- “Loyalty programs” management

  (Useful since retailing groups often entrust them to their financial subsidiary)

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VI. Some strong points – business point of view (2/3)

- Multi-currency
- Management of the simultaneous sell of the the opening of a new credit and of the rise on the credit limit of another account
- Any conceivable credit product/offer may be created in a few clicks, by putting together pre-existent components
- Collateral management.
- Management of multiple “balance segments” with different “credit limits” inside one revolving credit account.
- Features making it possible for the operator to commit himself in the earlier phases of the selling process, without incurring the risk of a later rejection (“pre-grant”)
- Management of the pooling and consistency of granting rules between :
  - Selling an installment loan/selling a revolving credit/selling a package of many credit accounts
  - Selling a new credit/selling a limit rise on an existing account/selling a new funding on an existing account
  - Proposal and final grant
  - Selling process and personal guarantee process…

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VI. Some strong points – business point of view (3/3)

- Management of any kind of loan (credit cards, mortgage loans, customer accounts, purchased receivables, leasing …)
- Base periodicity may be weekly, bi-weekly, monthly, bi-monthly …
- Any payment schedule may be made up of any number of stages, each one with a different interest rate, amount, length, periodicity and progressiveness
- Management of more than one “direct debit” standard (local + SEPA…)
- Management of collection processes handling simultaneously all accounts of a customer.
- Design allowing the software to be used 7 days in a week and 24 h a day (the daily batch processing does not necessarily lock all accounts together)
- Basel 2-, IAS-, Sharia- and Obama’s 2009 credit card bill-compliant.
- The consistency between balances and entries is checked after **each** financial event.
- Extraction of end-of-month balances (for reporting needs) may be delayed till all late entries are made

  So “adjustment” accounting entries are no longer necessary.

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VII. Some other strong points – IT point of view

- *LOAN OBJECTS* deals only with the “business” level

  →The “technical” side of the full application may be organized freely

- The syntax used in *LOAN OBJECTS* (UML) is universally acknowledged to be the most suited to the building of “components” able to fit into any front-end software

- *LOAN OBJECTS’* Concepts are always specialized “only when strictly necessary”, so that they might be re-used for other needs.

  For instance :

  80% of *LOAN OBJECTS* could be re-used to manage contracts of a nature other than Credit

  100% of the “Account management” part could be re-used to manage Corporate Credit or even deposit accounts …

  →So any software designed on the basis of *LOAN OBJECTS* could easily be upgraded to a **full banking platform**

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