

Banking **CIO** Outlook

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Stratman Solutions

Banking Solutions Developed by Bankers

The financial industry is no longer limited to the traditional brick-and-mortar concept. Financial Institutions have moved beyond conventional practices and are increasingly relying on new technology to provide solutions for labor intensive, operational processes. Financial Institutions' need for new technology intensified with the COVID-19 pandemic, compelling many institutions to find alternative ways to reach and serve their customers on a remote basis. Despite the availability of numerous solutions in the fintech space, many financial institutions still struggle with fulfilling compliance regulations while also accommodating customers' needs. Moreover, cybersecurity continues to be a major concern as more digital and cloud-based solutions are introduced.

This is where Stratman Solutions, a banking solutions provider, emerges to save the day. As a team of bankers, the company discovered significant inefficiencies in existing banking practices, which led them to develop software solutions to streamline those processes. Having identified gaps in industry offerings, Stratman's solutions culminated into commercialized offerings they made available to the entire financial industry.

"Instead of waiting for an outside vendor to develop solutions, we began driving solutions internally. As bankers, we fully understand the pain points. We know our customers and the industry processes better than any outside vendor does," Joe Slavens, the founder and CEO of Stratman Solutions.

Bank Sweep Manager (BSM), Stratman's first commercial solution, was developed to streamline the complexity and immense labor involved in managing sweep accounts. This solution addressed two primary banking requirements: (1) BSM enables banks to pay interest on business checking accounts and provides protection on deposit balances over \$250,000; (2) BSM enables banks to fully meet the needs of large deposit customers, in full compliance with

all regulations that govern sweep accounts, without sending funds outside the bank. As the developer of Bank Sweep Manager, the only fully-compliant repurchase agreement solution for in-house sweep accounts, Joe Slavens became the nationally recognized expert on sweep account compliance. In fact, the FDIC used the support materials Joe created for BSM as the basis to develop their audit manual and procedures.

Stratman leveraged their knowledge of sweep account management to develop a spinoff product called Collateralized Deposit Manager (CDM). CDM enables financial institutions to collateralize public deposits seamlessly - in minutes. "We realized that government deposit accounts needed to have deposits that were fully protected as well. When a government account has a deposit balance that exceeds the applicable insurance limitations, they need to have collateral, depending on state requirements," notes Slavens. However, providing collateral for government accounts was a complex and time-consuming process for most Financial Institutions. CDM provides financial institutions with the ability to efficiently allocate available collateral to secure the balances beyond insurance limits in minutes. Utilizing this tool

allows financial institutions to obtain a profitable funding source while ensuring that large governmental deposits remain protected. Most recently, Stratman launched a new product, Asset Quality Manager (AQM), which provides the requisite reporting to comply with FASBs new CECL regulation, while also enabling financial institutions to more effectively manage their classified assets and delinquent loans. Unlike several of the "big players" in the fintech space whose applications require the collection and analysis of a large number of variables (up to 70) to determine loan loss reserves, Stratman has focused on the critical variables (approximately 15) to achieve statistically accurate measurements for loan loss reserves. "The 15 data points that we collect provide a 95 percent confidence



Joe Slavens



level for loan loss reserve calculations,” adds Ann Bailey, SVP of Stratman Solutions. AQM not only addresses the new CECL requirements, it also provides needed features and functions to proactively manage and mitigate loan risks and losses. In doing so, AQM includes tools to develop account specific action plans, which have been heavily relied on by both loan and risk officers to manage problem loans. Finally, in addition to the quarterly CECL and ALLL reports, AQM also provides flexible reporting capabilities used by institutions for presentations to their Board, thereby eliminating the additional time to prepare board reports. Of perhaps greatest importance, after implementing AQM at an affiliate, the bank materially reduced loan losses as well as an 85% reduction in delinquent and/or classified assets in the last eighteen months. Stratman’s products are easy-to-use and easy to implement. All of Stratman’s products streamline processes and eliminate inefficiencies. Moreover, these solutions easily integrate with the clients’ core systems. “Our solutions are 100 percent on premise (behind the customer’s firewall), thereby eliminating additional access points from a cyber-security perspective,” notes Bailey. One of the key differentiators of Stratman Solutions is their approach: Stratman builds all of its products within a Six Sigma framework and tests all of their own products in a real banking



Ann Bailey

environment before launching the product commercially. That also allows product to be vetted with the banks regulators before being released in the market. And since financial services are no longer static, every Stratman product is regularly upgraded to meet evolving needs and standards.

Slavens also mentioned their work to customize solutions, particularly when working with large organizations. When a bank holding company with leading technologists licensed Bank Sweep Manager, Stratman worked with them to take advantage of their multiple charters. By deploying a customized version of Bank Sweep manager, the use of sweep

collateral was made even more efficient when combined with the higher system-wide deposit insurance limits available across multiple charters.

With a positive stance toward the future, Stratman Solutions is poised to reach out to a larger customer base and build robust partnerships with solution providers that have similar values and goals. Stratman has future plans to reinvigorate product development and upgrade some of their solutions, as well as design new products that address the changing needs in the industry. All in all, Stratman Solutions is striving to invest more resources to identify future challenges in the industry and enhance the fintech space with its innovative solutions. **BC**