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German Newcomer Looks To Technology to Track Loans

■ BY MARC HOCHSTEIN

Eurohypo AG, newly formed by the merger of the real estate units of three German banking giants, wants to be a major player in the U.S. commercial mortgage market. Unified technology from an application service provider will play a vital role, an executive said Friday.

A hodgepodge of legacy systems can be a problem, said Mitchell Harris, Eurohypo's director of portfolio operations.

"Say there's a guy in the credit department on the 15th floor who knows a borrower is in trouble. Meanwhile, there's another guy ... on the 10th floor who gets a request" from the same borrower for a draw on a revolving loan.

"The lawyers on the eighth floor know that ... if the borrower doesn't maintain certain levels of debt service coverage, we're not required to make an advance." But unless they all share what they know, however, the organization "runs the risk of misfunding," Mr. Harris said.

Eurohypo hopes the ALLTEL ACBS system it uses will help it avoid such problems.

ALLTEL ACBS, of Del Mar, Calif., is a division of ALLTEL Information Services of Little Rock, which is owned by Fidelity National Financial Inc. of Irvine, Calif.

Mr. Harris said Eurohypo decided on an application service provider largely because it wanted to steer clear of "all the traps you find building out a full IT infrastructure."

Eurohypo uses ALLTEL's ACBS system to manage its pipeline of commercial real estate loans. After closing, ACBS services the loans, splits payments and distributes them to other banks in a syndicate, and tracks performance.

Mr. Harris said the ALLTEL system can also be "an analytical tool."

The Eurohypo consortium is outsourcing to an ALLTEL application service provider.

For example, he said, Eurohypo can use it to model how much cash flow a building has generated in a year or how that cash flow would be affected if a major tenant left.

"We've got the credit-tracking system and the back office aligned," he said. "If someone is responsible for processing payments or entering financial data on a borrower, they can see something that's an issue and raise a red flag."

Eurohypo is a joint venture of Deutsche Bank AG, Dresdner Bank AG, and Commerzbank. Each spun off its domestic

mortgage units into the venture. Though all three had active U.S. realty lending operations, only Dresdner's was included.

The new entity has said it intends to originate \$1.6 billion of commercial loans this year. It has closed several hundred million dollars' worth so far, Mr. Harris said. The division has 60 employees at its New York headquarters and at branch offices in Los Angeles and Chicago.

The merger was announced in November 2001, with an expected closing of Jan. 1, 2003. (It was completed Jan. 28.) Mr. Harris was hired from Prudential Securities last July.

Eurohypo chose ALLTEL ACBS in September, he said, and the companies had just four months to get things up and running. Installing a large-scale system in-house would have taken a year or more, Mr. Harris said.

The process included transferring files and data on the \$2 billion of syndicated U.S. real estate loans Dresdner managed. An added complication was that the New York office was moving from lower Manhattan to midtown at the same time.

ALLTEL ACBS had never before got a client up and running on its system together so fast, said Richard Levy, its president of commercial and wholesale lending. Fast implementation is the key benefit of using an application service provider, he said. It frees users "to focus on their business and not have to get into building infrastructure." ■