PROVEN PRACTICES
FOR BACK OFFICE EFFICIENCY

Shrinking net interest margins, rising costs, and manual processes challenge community banks to maintain efficiency and profitability in a competitive market.

The role of fintech in community banking has expanded significantly in recent years, helping community banks stay competitive by improving efficiency and reducing costs. Leaders like Bill Loving (Pendleton Community Bank) and Greg Ohlendorf (First Community Bank and Trust) leverage fintech to achieve these goals.

“Community banks used to get by with basic services —checking, savings, loans, and great customer service—but that's not enough anymore,” says Greg Ohlendorf, President and CEO of First Community Bank and Trust. “If we stick to the old way of doing business, the value of our institutions is at risk.”

Bill Loving of Pendleton Community Bank and Greg Ohlendorf of First Community Bank and Trust lead community banks that utilize fintech technology to enhance efficiency and drive profitability.

One of the most effective ways to increase back-office efficiencies is through the adoption of technology, which can:

- **Streamline Processes**
- **Reduce Operational Costs**
- **Improve Compliance and Risk Management**
- **Increase Data Accuracy and Security**
- **Support Growth With Less Staffing**

Streamline Processes Through Automation

The goal of efficiency is to complete the same tasks with less effort, using automation to ensure nothing falls through the cracks. FCBT utilizes Teslar to streamline loan processing and reduce manual tasks.

“Things like tracking where a loan is in the process, identifying exceptions that hold up transactions, and reporting on the pipeline were all manual processes before,” explains Ohlendorf. “Unraveling that ‘paper tiger’ and simplifying the entire process has really improved our loan department’s efficiency. In today’s hiring environment, these efficiencies are invaluable.”

Teslar has transformed that dynamic, he explains, “Lending is one of the last areas still bogged down by paper. Customers still bring in tax returns and financial statements, or worse, email them unsecured. Now we’ve created smarter processes. The system knows exactly what documents we need, and if we’re only missing one year’s tax return, we don’t ask for three. And they’re not buried in a drawer somewhere because we’ve archived them properly in the first place.”

4.6%
66%
71%

The average efficiency ratio increased 4.6% from 2022 to 2023. The current average for all public US banks is 66%, but for community institutions, the current average is 71%

Reduce Operational Costs Through RPA

Many banks don’t realize that everyday processes are prime candidates for RPA, and you don’t need to be a $20 billion bank or have a full IT staff to implement it—this misconception is common. RPA is accessible for banks of all sizes and budgets.

Simple processes, like routing tax returns for review based on criteria, are easily managed by RPA. “It’s a game changer,” says Loving. “A tax return is submitted into a portal, goes through credit administration, gets documented, reviewed, and filed into cold storage—all without being touched. What used to take multiple steps and multiple hands now happens seamlessly, like magic, and nothing gets lost along the way.”

Improve Compliance and Risk Management

“Third-party risk management is critical. You can outsource technology, but you can’t outsource responsibility. Our partnership with Finosec wasn’t just a cost—it was an investment in the future,” says Loving.

The added transparency and visibility into governance is crucial for ensuring business continuity. “We all have thousands of policies, IT tasks, and other responsibilities we’re managing. My concern is about having transparency of these items.

Now, by tracking tasks and adding governance, we can see what's due, what's past due, and where files are located. This way, if someone gets sick, leaves or retires, anyone can step in and keep us on track."

While this investment doesn't directly generate revenue, it significantly reduces risk. "Unmitigated risk can be expensive, and if something goes wrong, the cost could be huge. This way, we're taking risk off the table."

12% **Community bank earnings are expected to fall 12% year over year as margin pressure and higher credit costs will take a bite out of earnings.** (US Community Bank Market Report 2024)

Increase Data Accuracy: The Risk of Relying on Spreadsheets

"It's extremely risky to make decisions off of spreadsheet data," Ohlendorf explains. "We all know how easily an Excel spreadsheet can be modified with just a click. Anyone can mess up a perfectly good spreadsheet. And the more hands that touch an Excel file, the more dangerous it becomes.

That's why we've worked hard to move away from as many of those manually orchestrated spreadsheets as possible and move that data into a system of record—a single source of truth—where I know that if I look something up, it is accurate.
Teslar is that source for us. I can look something up, know that it is accurate, there's file maintenance associated with it, I can track who's working on it, and easily see anyone's changes and updates."

Support Growth with Less Staffing

Despite significant growth, both banks are scaling operations with fewer FTEs.

Ohlendorf adds, "When a long-time employee leaves, it's tough to get a replacement up to speed quickly. But with systems where data is accessible and processes are clear, you can plug new employees into roles faster."

Loving agrees, noting that PCB first partnered with Finosec after unexpectedly losing their CIO. Finosec stepped in to provide the necessary governance, resources, and mentoring to support the new CIO. This partnership established a process to ensure the bank remains protected in the event of future transitions.

This efficiency boost helps manage capacity as well. "One team member can do far more with automation," Ohlendorf notes. "If you unexpectedly need to increase fixed costs—say $65k plus benefits for a new hire—that's a big deal. If technology can delay the need for more hires, the math is easy."

60% **The use of technology can reduce time spent on manual tasks by up to 60%, allowing community banks to manage growth without a linear increase in FTEs.** (US Community Bank Market Report 2024)

Key Lessons and Tips for Success

Identify the Right Technology

"We don't adopt tech just for the sake of it," says Ohlendorf. "Every project must solve an identified issue—whether it's enhancing a strength or addressing a gap in operations."

Start Small and Scale

"Start by identifying your organization's most pressing need and look for a solution that addresses it. Once you feel comfortable, move on to the next pain point. You're not going to accomplish it all at once. It's a step-by-step journey," says Loving.

Don't Be Afraid to Partner with Fintechs

"Fintech isn't something to fear; it's a tool to get you to a better outcome," says Loving. Ohlendorf agrees, "Bankers tell me they can't work with fintechs because they're startups. But we've all lent capital to startups—two guys in a garage with a great idea—which is a far bigger risk. If we can do that, we can invest in something that will help our banks become more relevant and positioned for the future."

Encourage Leadership and Culture that Embraces Change

Successful technology adoption hinges on strong leadership and a culture that embraces change. At PCB, leadership addressed the challenge of 'this is how we've always done it' by demonstrating that technology enhances performance, not replaces jobs. "It starts from the top down. Management must communicate benefits, take it step by step, and celebrate small wins."

About Teslar Software

For more information about Teslar's automated tools and workflows, email us at sales@teslarsoftware.com or visit www.teslarsoftware.com.

About Finosec

For more information about Finosec's automated governance for financial institutions, email info@finosec.com or visit www.finosec.com.