



White Paper

Big opportunities in the commercial real estate downturn

Unlock diversification and growth for your medium-sized bank to make money work harder

The commercial real estate boom has passed its peak. Where next for mid-sized lenders?

Commercial lending plays a powerful role in the global economy, putting money to work to fund growth for business customers and earn interest and fee income for banks. But around the world, the commercial lending market has changed considerably since the dawn of the 2020s, not least for medium-sized banks.

By the end of the previous decade, a large majority of loan books, especially in North America, focused heavily on commercial real estate (CRE), a sector that had experienced consistently healthy growth since 2008.

At its peak in the late 2010s, CRE was a safe bet for commercial lenders, with very little risk and low default rates. Since the COVID-19 pandemic, however, the rise of hybrid working has meant declining demand for office space globally – and less growth for the many middle-market banks that lend mainly to CRE projects.

There's more risk for these lenders, too. And when as much as 60% of your loan book is concentrated in CRE, as is often the case for North America's regional banks, your portfolio will be overexposed to a struggling sector.

To put your bank's money to work more effectively, it's time to mitigate CRE concentration risk. It's time to diversify into different types of lending.

What are your options for diversification?

There are two main ways that a medium-sized bank can reduce its reliance on CRE lending and diversify its portfolio.

The first is to move downscale into providing more loans to small businesses. In today's precarious economic environment, however, this approach carries its own significant risks while earning relatively low margins.

Second, for potentially higher profits, you could look to meet more complex lending requirements for much larger organizations. This could mean, for example, acquiring and facilitating new, high-value syndicated corporate loans – or buying an existing portfolio of fund finance facilities that extend working capital to alternative asset managers.

Being able to support complex loans may not only improve your bottom line but also keep a new breed of lending competitors at bay.

An ever-increasing number of buy-side firms have been encroaching on banks' territory by providing their own structured private credit facilities to corporates.

With the private credit industry growing by nearly 25% a year for 20 years, banks urgently need ways to win back their share of the lending market – making it even more critical to diversify your loan book.

You also need to improve your efficiency. As private credit providers are not regulated in the same way as banks, it costs them much less to enter the loan market. To compete effectively with these disruptors, you therefore need to get your lending operation in order so it can handle more types of loan for less overhead.

But when lenders have mainly focused on one market sector, like CRE, they've also tended to gear their whole lending operation toward it. Historically, many medium-sized banks haven't even invested in dedicated loan origination or loan servicing systems. They've simply relied on a combination of core banking technology and manual processes to manage the lending lifecycle.

And if you're looking to manage a greater range of more complex finance arrangements, you'll soon find it's a combination that limits your possibilities and makes it harder to operate efficiently and put money to work.

Why traditional operations can't handle complex lending

The simple fact is that complex loans introduce all manner of operational challenges. And for a bank that's focused mainly on CRE or small business lending, managing these unprecedented demands will likely require you to rethink your systems and processes from front to back.

Acquiring and originating syndicated loans, for example, takes specialist skill and a lot more analysis than the average CRE loan, with rigorous assessment of potential risks across multiple – and, yes, complex – scenarios.

Then, servicing these loans will bring its own unfamiliar complexities. As the lead agent, your bank will need the means to manage all of the participants in the syndicate and calculate their different interest payments. You may also have to align the structure of the loan with multiple interest rate benchmarks.

Ultimately, you must be able to easily and efficiently maintain an intricate set of books and records for your complex loan portfolio and ideally integrate real-time market data. None of this is possible with a core banking system and spreadsheets.

As they move to supporting more complex loans, some medium-sized banks have quickly recognized the limitations of their existing operations and chosen to adopt different specialist third-party solutions for loan origination and loan servicing. The hope is that these systems will seamlessly connect and exchange data for the fully automated straight-through processing of loans. The reality is that they don't.

So, although a bank's front office may find it faster and easier to approve and originate a loan, it's still a painful manual process to onboard that loan into the servicing system. As a result, the bank will need to hire more resources to keep the loan lifecycle in motion and money at work, considerably increasing its operational costs but continuing to risk delays and errors.

¹ Bloomberg Law, The Rise of Private Credit, September 2023



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When integrated, specialist lending technology is the only answer.

The good news is there's unique way to automate the whole loan lifecycle in a straight-through process, even for the most complex loans. And it comes in the form of a comprehensive, fully integrated ecosystem of specialist commercial lending technology – the FIS® Commercial Lending Suite.

With this single platform of configurable, cloud-based solutions, you can both digitize and integrate complex workflows for loan origination, credit assessment, onboarding and servicing. Plus, by processing loans digitally from end to end, you can also maximize efficiency, minimize manual processes and cut operational expenditure.

With less pressure on your margins, you're now in a stronger position to compete with the direct lenders of private capital, cost-effectively diversify your own lending portfolio and help money work harder.

How Commercial Lending Suite unlocks diversification and growth

FIS has built Commercial Lending Suite specifically to handle the intricacies of commercial lending and scale to an expanding portfolio of diverse, more complex loan types.

As a complete, fully integrated solution on the market for the entire commercial lending lifecycle, here are three ways our innovative technology ecosystem can help mid-sized banks move away from CRE lending but keep their money hard at work.

1. Break down barriers to entry

Complex loans will typically deliver higher returns than CRE lending, but at what cost? Entering new markets such as syndicated lending has historically taken substantial time and investment in systems and resources – obstacles to diversification that modern technology and services are able to lift.

With Commercial Lending Suite, FIS helps banks slash their time to market for new types of lending, typically implementing software in months rather than years. We also use our expertise in complex loan processing to simplify the onboarding of structured loans for onward servicing.

As a single cloud-based platform for every aspect of the lending process, Commercial Lending Suite not only supports a seamless flow of data from end to end but also helps reduce total cost of ownership. With one vendor for your loan origination, credit assessment and loan servicing systems, and managed services for IT hosting, maintenance, upgrades and testing, your bank also spends less time taking care of technology and more time putting money to work.

Driving operational excellence in syndicated lending

With a specialist SaaS solution for syndicated lending, FIS facilitates seamless syndicated loan deal management, customer relationship management and document distribution. As an integrated part of Commercial Lending Suite, the solution will also help manage the whole front-to-back-office workflow for syndicated loans.

A digital deal room for syndicated loans makes it easier for syndicate participants to communicate and collaborate. And the ability to rapidly digitize complex loan agreements helps banks eliminate manual data entry errors and easily navigate, evaluate and compare essential loan transaction information – plus make more confident decisions with accurate insights that help money work harder.

38% of C-level executives believe that embracing cloud computing will have a major impact on their business operations while **37%** are optimistic about the value that cloud and edge computing can bring to their business.

Source: FIS, Global Innovation Research, 2024

2. Turbocharge efficiency

Traditionally, the more complex the loans under management, the more inefficient manual processes that banks have evolved – and the more people they've inevitably had to hire. So, how can you diversify and grow your bank's loan book without increasing your headcount and staffing costs?

The answer from FIS is to automate as much of your loan operation as you can to drive straight-through processing and minimize manual intervention for your team. Plus, just as in retail and small business lending, you need to give customers the ability to self-serve online.

Commercial Lending Suite helps you digitize and connect processes throughout the lending lifecycle. Not only can you provide a rich, seamless digital experience for your customers, with self-service capabilities, but you can also fully automate the onboarding of loans, however complex, from your loan origination system into your servicing system – which come tightly integrated in our single platform.

Now you can keep your operations running at the height of efficiency from end to end and your money working harder.

Advancing automation with AI

The secret to keeping your processes as "hands free" as possible is to automate repeatable tasks and make sure you're only spending time on customers that truly need your attention. With Commercial Lending Suite, you can trust artificial intelligence (AI) to help you increase automation and keep human intervention to a minimum.

For example, at the start of the lending lifecycle, AI helps automate credit assessment, spreading and approval processes for FIS clients – reducing the time to "yes" and improving customer satisfaction by streamlining complex workflows and providing analytics.

Importantly, in Commercial Lending Suite, AI doesn't make final loan decisions. Instead, our tool's ability to rapidly analyze customer data – in any document format – means it can quickly assess credit risk according to your risk model and make informed decision recommendations, based on complete, accurate and up-to-date insight. This approach ensures that human oversight remains central to the decision-making process.

In late 2025 we will introduce a generative AI tool to our credit assessment solution, to provide a richer, more consistent user experience for reporting, data visualizations and information consumption. We're also embedding a concierge feature to help users make optimal use of the solution without needing IT support.

AI, then, is already taking Commercial Lending Suite to the next level. As we integrate AI into Commercial Lending Suite, we prioritize compliance with all relevant regulations, particularly in the critical area of credit assessment. This is only the beginning of the solution's AI journey – and as the technology continues to advance, so too will the capabilities we can offer our clients.

54% of C-level business leaders say they are using AI for predictive analytics, **52%** for risk modeling and **48%** for automated decision making.

Source: FIS, Global Innovation Research, 2024

3. Service loans in real time

For superefficient loan servicing, banks can no longer afford to consume data in batches. You need real-time data on transactions via real-time integrations between your servicing system and your different data sources.

When your loan servicing function processes in batches, it needs customized connections with every database to consume data in the right format – and will have to manually poll for every update. Delays are inevitable, and your whole internal ecosystem depends on the completion of one job before another can start.

Commercial Lending Suite eliminates delays with a continuous flow of consumable real-time data between downstream systems. Using state-of-the-art event-streaming technology, it gives you the information you need to make the best decisions fast and work your money harder – by improving data quality, transparency and integration across your lending ecosystem.

Transforming loan servicing with event streaming

Through event streaming, Commercial Lending Suite sends the right data to the right part of your bank's internal ecosystem as and when any changes occur. Multiple systems can read the events and process the data simultaneously, so updates to the treasury system on funding or payments could happen at the same time as to your customer-facing portal.

Events can be consolidated or granular and include record creation, limit changes and the posting of transactions, with real-time delivery saving time and costs and helping streamline processes across your loan servicing and development operations. And ultimately, you'll put your bank in a stronger position to adapt as business needs evolve and get your money working harder than ever.

38% of financial services firms say that improving transparency has the highest impact on their risk profiles.

Source: FIS, Global Innovation Research, 2024



Unlock the commercial lending lifecycle with FIS

Commercial Lending Suite provides a configurable, cloud-enabled solution for managing the commercial lending lifecycle. Streamline risk management, reduce manual processing costs and optimize operations from front to back - all while delivering engaging experiences and driving revenue and growth.

At FIS, we're dedicated to unlocking financial technology to the world and helping commercial lenders effectively put money to work. Get in touch with us today and learn how we can empower your lending business to unlock diversification and growth.



FIS commercial lending solutions optimize loan operations to make money work harder.

Our **technology** powers the global economy across the money lifecycle.



Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.

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Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.

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Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

FIND YOUR UNLOCK

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit [FISglobal.com](https://fisglobal.com). Follow FIS on LinkedIn, Facebook and X (@FISglobal).

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