

Detailed Borrower Investigations More Important Than Ever

Santa Paula, CA (PRWEB) February 26, 2009

Santa Paula, CA — Commercial Business Intelligence Inc has noticed an increase in the financial service industry's move towards low-cost credit reports and research instead of more detailed underwriting products. Although the volume of reports ordered may have increased, the amount of information has not. This cost-cutting practice spells disaster for companies that rely solely on an inexpensive report to evaluate a borrower's reputation.

"Active civil litigation and criminal activity doesn't show up on the 3-bureau consumer credit report," says CEO Michael Adams. He emphasizes that proper research in these two areas are sorely lacking in many lenders' underwriting processes. "A commercial borrower may be facing a tsunami of legal fees and pending judgments, or a criminal conviction and incarceration. In these instances the lender will nearly always be facing losses and a future uncollectible judgment," Adams explained. He adds, "Foreclosures, judgments and tax liens may not always be included in consumer credit reports due to reporting lapses."

Although several credit report re-sellers offer to add a low cost criminal record check, Adams has found the process to be dangerous and potentially misleading to the customer. "Criminal record checks priced under \$ 20 usually rely solely on an exact name and date of birth match from an incomplete database, leaving giant holes in coverage," he explains.

Recently proving his point to a new client, he audited approximately fifty names that were given a 'no record found' clearance by the client's previous credit report supplier who offered an add-on five dollar criminal record check. CBI's audit uncovered nearly a dozen convicted felons and prison incarcerations. Adams insists his company's use of multiple information sources, alias and DOB variations, and hands-on experienced researchers are integral to the process.

Adams offers the opinion that trimming underwriting expenses is a costly mistake even though it may provide a temporary fix to the bottom line. The loss from a single bad business loan will exceed the fees for due diligence.

Since 1997 Commercial Business Intelligence's 'Know Your Customer' due diligence reports have been the mainstay for commercial and real estate lenders, factoring companies, private investors, and others who extend credit or invest in small or medium businesses. CBI's detailed reporting meets or exceeds banking guidelines for pre-loan due diligence and KYC compliance.

Commercial Business Intelligence can be contacted at 805-921-1500 and can be found online at cbintel.com.