

The Fintech Company with a Banking License



By leaning into the PPP challenge, leveraging their own technology stack and partnering with fintechs and other innovative technology providers, Cross River Bank outperformed larger banks while helping over 198,000 small businesses gain timely access to more than \$6.5 billion in CARES Act funding.

CHALLENGE:

8 day project
go-live timeline.

RESULTS:

198K+

PPP Loans Issued

\$6.5B+

SBA Assistance

The PPP program, established by the CARES Act, created many narratives, both positive and negative. However, as noted in several major business media—including the New York Times and Fortune magazine—one of the amazing stories was of Cross River, an apparent outlier listed among the lending heavy weights in the top 15 PPP lenders. Cross River is a single-branch, community bank in New Jersey with assets around \$2.5 billion, while the ten largest banks in the country average over \$1 trillion in assets. Yet for sheer loan volume, Cross River is listed among the top four banks, having issued over 198,000 PPP loans, averaging less than \$33,000 each, and representing more than \$6.5 billion in much needed assistance delivered to the smallest and neediest businesses across every state in the U.S.

The fact that Cross River “is punching above its weight” not only in loan volume but in responsiveness to rapid and often overnight changes in SBA PPP policies was not an accident. Rather, their performance is testament to the pervasive mentality throughout the Bank that technology is a differentiator and the key to providing superior customer service.



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Phil Goldfeder
SVP of Public Affairs
Cross River

“From operations to technology to compliance, every department of the Bank was engaged in this effort—all 340 employees committed early on to shifting their work into this program,” explains Phil Goldfeder, Cross River’s senior vice president of Public Affairs. “As a bank that was founded in the aftermath of the 2008 recession—when COVID-19 began, we understood immediately the quickly evolving financial atmosphere and recognized our ability to provide financial services to those in need, stepping in to fill the void wherever it didn’t exist or where traditional players were exiting.”

Three-pronged strategy for meeting a deadline

While many lenders of all sizes were ill-prepared to realign resources in a short time span, Cross River built its PPP lending program in just eight days, using a combination of its own technology and working with partners like OcroLus to create a system to accept applications and handle the underwriting of those applications.

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Cross River also developed a way to seamlessly submit those applications to the Small Business Administration. When the program went live on April 3, Cross River was open for applications.

Jesse Honigberg, Cross River’s Technology Chief of Staff, explained the inner workings of the Bank’s technological approach to PPP: “In collaboration with nearly every department throughout the Bank, we contemplated how we can bring together great technology partnerships with in-house development and focus on the problem. We never got lost in what should have or could have been, but instead focused on what is and what could be. We explained to partners our eight day timeline and focused specifically on delivering for the borrower in order to align our partners and program toward delivery.”

Honigberg and his team selected partners that were willing to accept the fact that there was no way to fail—with a strict timeline, it had to get done. “Here is what we can do, here is what needs to be done, and now figure it out. Our development teams worked around the clock and developed a cadence with our partners so that we were one team working together to develop a solution.”

He goes on to explain that “Cross River has a proprietary lending system called ARIX and an API-base core, that was completely conceived and built in-house. But one of the core features is that we can connect both to other systems via APIs as well as more traditional, legacy file transmission methods, all while maintaining full traceability. This allows us to work with leading technology providers. Our approach was thinking about where Cross River can be great, where our partner vendors like Ocrolos can be great, and where together we can be even better.”

As part of that solution partnership, Honigberg explains the development of the core payroll verification and fraud detection functions in the underwriting system:

“We understood our core competency. That is where Ocrolos came in, we looked at our system and how quickly we could incorporate documentation into it, which is Ocrolos’ strength. One of the challenges of PPP is how do you verify payroll? You can ask clients to upload bank statements or ADP spreadsheets, but that is just the starting point. We took the data that Ocrolos provided from the analysis of those documents and created an algorithm that cross-verified the information that the borrower submitted for their payroll against the data pulled out from their bank statements.”

“We also performed fraud detection by screening the bank statements against the accounts they were funding from and against the checks uploaded,” Honigberg continues. “Fraud detection and the combination of the technologies helped us accelerate legacy processes. We were able to take 50% of the documentation processes normally done by humans and completely automate them, enabling us to invest our human capital very effectively. We look at Ocrolos’ technology as one of the pillars of how we can introduce efficiencies and add additional compensating controls that are critical to scaling this platform.”

Goldfeder and Honigberg both explained that the PPP lending program was never considered complete: “We continue to refine the workflow. We monitored the process to ensure that small business borrowers could through the process, while maintaining the integrity of the solution and focusing on regulatory compliance and consumer protection,” explains Honigberg. “We’re never going to say it is done, we’re always improving for the next borrower.”



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“Our work in PPP continues to evolve,” added Phil Goldfeder. “We used the time we had in between PPP lending rounds to adjust staff engagement and create a dedicated Cross River team—a permanent special projects unit to address programs and opportunities that are unpredictable. That is what we take away from this experience: the importance of preparing for the unexpected and having leadership and an agile organization that can shift on a dime. We don’t know what’s next, but we are ready to create a pantry of items that we can use for the future.”

Making an Impact

The idea that 340 people at Cross River did as much in SBA funding as the biggest banks in the country is a point of justifiable pride for Cross River. Goldfeder noted that many larger banks avoided the PPP loans because they weren’t ready on day one for the tidal wave of applications. And even the larger banks that actively participated generally prioritized lending to their existing customers.

Conversely, the majority of Cross River’s loans went to the mom-and-pop shops and other true small businesses for which the PPP was intended: More than 95% of Cross River’s borrowers were businesses with 20 employees or fewer. Cross River has shown that partnering with fintechs to originate loans may be a more efficient way to serve lots of small businesses than just offering those loans directly under your own banner, particularly in a pandemic. After building a platform to automate PPP loan applications in less than 10 days, Cross River partnered with more fintechs to funnel in their customers who wanted the stimulus funds, from non-bank lending companies like BlueVine, Veem, Fundera, Divvy, Pearl Capital, Womply and Kabbage.

Jesse Honigberg sums up the situation and Cross River’s response to the mission at hand: “Certain big banks said they didn’t have enough branches or resources. They may have been too big or too bureaucratic to maneuver effectively, but really, what is the purpose of why we are here as a bank? We provide liquidity, where people in their darkest hours know that their money is safe and that there is a place where they can get access to capital. We shouldn’t just be there when things are perfect. In a crisis like this pandemic, everyone should rally with full force to save small businesses.”

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