

GAO

Briefing Report to Congressional
Requesters

March 1992

RESOLUTION TRUST
CORPORATION

Status of Loans and
Other Assets Inventory
System



Information Management and
Technology Division

B-247736

March 5, 1992

The Honorable Donald W. Riegle, Jr.
Chairman, Committee on Banking,
Housing, and Urban Affairs
United States Senate

The Honorable Bruce Vento
House of Representatives

This report documents one of the four briefings we provided to your offices on February 4, 1992. The briefings responded to your offices' requests that we provide information on (1) Resolution Trust Corporation's (RTC) efforts to develop corporatewide automated information systems for loans, real estate, and asset managers and (2) contractor reporting.

As agreed with your offices, we are providing reports on our four briefings,¹ as well as a report that summarizes our overall findings and contains recommendations to the Chief Executive Officer, Resolution Trust Corporation.² This report documents RTC's efforts to develop a corporatewide system to manage and sell loans and other assets—called the Loans and Other Assets Inventory System (LOAIS). Details of our objective, scope, and methodology are in appendix I.

Summary

RTC continues to operate without a corporatewide loan system because it (1) has not clearly defined its corporate business strategy to manage and sell loans and (2) has not adequately defined the specific system requirements to support such a strategy. Such a loan system could expedite loan dispositions and improve the return on loan sales. Although RTC has taken action to define system requirements, it runs the risk of continued failures unless these requirements clearly support a well-defined business strategy to manage and sell loans.

¹Other reports include Resolution Trust Corporation: Status of Asset Manager System (GAO/IMTEC-92-34BR, Mar. 5, 1992); Resolution Trust Corporation: Status of Real Estate Owned Management System (GAO/IMTEC-92-36BR, Mar. 5, 1992); and Resolution Trust Corporation: Review of Information Reporting Requirements for Asset Management Contractors (GAO/IMTEC-92-37BR, Mar. 5, 1992).

²Resolution Trust Corporation: Corporate Strategy Needed To Improve Information Management (GAO/IMTEC-92-38, Mar. 5, 1992).

Background

As of December 31, 1991, loans represented about 60 percent of RTC's \$129-billion inventory of assets from failed thrifts. Currently RTC's management and sales of loans are supported by using a variety of fragmented manual and automated systems. In April 1991, RTC decided to modify a system that was being developed by its North Central region to be used as the corporatewide system to support RTC's management and sales of loans. Although RTC originally planned to have LOAIS implemented by June 1991, delays and uncertainties in defining system requirements and loading loan data have resulted in RTC being unable to implement LOAIS corporatewide.

RTC currently plans to have up to 70 percent of the LOAIS data loaded by June 1992. However, it has no planned date to complete loading data. As a result, the benefits that a corporatewide loan system may provide—quicker loan disposition and increased return on loan sales—are not being realized.

According to RTC, contract costs for LOAIS software development and enhancements were about \$4 million as of December 31, 1991. RTC expects to spend about an additional \$6 million through 1992. These costs do not include hardware costs and all costs associated with entering data into LOAIS.

Problems Affecting LOAIS Implementation

RTC's failure to adequately define its corporate strategy and the business processes to be automated are the major reasons for the delays in implementing LOAIS corporatewide. Without such definitions, the needs of system users, interfaces with other systems, and system performance requirements cannot be adequately addressed. Additionally, poor project management and problems encountered while loading loan data have further hampered LOAIS implementation.

Although RTC considers LOAIS to be implemented, we found that the system was not fully implemented. For example, RTC continues to define and change requirements for users, systems' interfaces, and performance. In January 1992, RTC was still trying to identify the information and system screen displays that marketing staff will need to sell loans. RTC has not yet developed all internal and external system interfaces to integrate LOAIS with RTC's other automated systems and contractors (e.g., due diligence contractors who verify the accuracy of data). Additionally, RTC has not defined system performance requirements, such as the time it should take

the system to respond to transactions and queries and the availability of the system to users.

Another impediment to the implementation of LOAIS has been the lack of strong RTC project management. In this regard, RTC did not clearly specify the lines of authority and responsibility for making critical development decisions. For example, establishing corporatewide system requirements was not the responsibility of any one RTC manager or group until late 1991 when an asset management and sales user group was formed to take action on these issues. A November 1991 internal memorandum that established this user group noted that there was no centralized process for ensuring that business requirements were fully and successfully being addressed by LOAIS and other systems.

Further, problems encountered during the loading of loan data from loan servicing contractors have been more complex and time-consuming than anticipated. Contractor data records are often incomplete and kept in several different formats. Some contractors have also been uncooperative in developing automated interfaces from their systems to LOAIS. In addition, RTC experienced about a 2-month delay in loading LOAIS data while deciding how to fund the loading. As of February 1992, less than half the LOAIS data had been loaded.

Action Taken by RTC to Fully Implement LOAIS

RTC is taking action to address LOAIS problems. In November 1991, RTC transferred system development responsibilities from the Office of Corporate Information to the Division of Institution Operations and Sales to place more emphasis on systems development and increase user involvement. A user group was formed in November 1991 and tasked with identifying, documenting, prioritizing, and communicating the business needs of the Division of Asset Management and Sales to be addressed by LOAIS. Specifically, the user group is reassessing the number of data elements needed and the processes that LOAIS should support. For example, LOAIS may not be needed to support loan securitization³ because RTC recently started using a contractor for this purpose. Additionally, RTC managers met with industry and government officials in February 1992 to discuss business strategies and system support for managing and selling loan assets.

³Securitization is the process of assembling similar assets into pools, which are then used as collateral for new securities.

The steps being taken by RTC are responsive to the LOAIS problems identified in our report. However, it is too early to determine how effective RTC will be in successfully implementing LOAIS.

Agency Comments

We discussed the contents of this report with senior officials of RTC, who generally agreed with our findings. They stated that actions being taken to deal with LOAIS problems should adequately address those problems. We have incorporated their comments in the report as appropriate.

Our work was performed from July 1991 through February 1992, in accordance with generally accepted government auditing standards. We are providing copies of this report to other members of the Congress, executive branch agencies, and the public. We will also make copies available to others upon request.

Should you have any questions about this report or require additional information, please contact me at (202) 336-6418. Major contributors to this report are listed in appendix II.



Howard G. Rhile
Director, General Government
Information Systems

Objective, Scope, and Methodology

Our objective was to assess RTC's progress in developing the Loans and Other Assets Inventory System. Specifically, we evaluated whether RTC followed sound systems development practices, including appropriate project management.

To evaluate the development practices and project management RTC is using to develop and implement LOAIS, we obtained supporting documentation and interviewed senior officials at RTC's Office of Corporate Information, Division of Asset Management and Sales, and Division of Institution Operations and Sales. We also interviewed officials from the four RTC regions. In addition, we met with the LOAIS development contractors' staff on several occasions to assess RTC's progress in completing development efforts on LOAIS and to discuss development problems.

Major Contributors to This Report

Information
Management and
Technology Division,
Washington, D.C.

Leonard Baptiste, Jr., Assistant Director
Brian C. Spencer, Technical Assistant Director
Robert C. Sorgen, Senior Evaluator

Kansas City Regional
Office

George L. Jones, Evaluator-in-Charge
John G. Snavely, Staff Evaluator
Troy G. Hottovy, Staff Evaluator
John C. Smith, Staff Evaluator

Related GAO Products

Resolution Trust Corporation: Corporate Strategy Needed to Improve Information Management (GAO/IMTEC-92-38, Mar. 5, 1992).

Resolution Trust Corporation: Review of Information Reporting Requirements for Asset Management Contractors (GAO/IMTEC-92-37BR, Mar. 5, 1992).

Resolution Trust Corporation: Status of Real Estate Owned Management System (GAO/IMTEC-92-36BR, Mar. 5, 1992).

Resolution Trust Corporation: Status of Asset Manager System (GAO/IMTEC-92-34BR, Mar. 5, 1992).

Resolution Trust Corporation: Performance Assessment for 1991 (GAO/T-GGD-92-14, Feb. 26, 1992).

Resolution Trust Corporation: Funding, Asset Disposition, and Structure Issues (GAO/T-GGD-91-67, Sept. 17, 1991).

Resolution Trust Corporation: Update on Funding and Performance (GAO/T-GGD-91-47, June 17, 1991).

Resolution Trust Corporation: Update on Funding and Performance (GAO/T-GGD-91-43, June 11, 1991).

Resolution Trust Corporation: Performance Assessment To Date (GAO/T-GGD-91-7, Feb. 20, 1991).

Resolution Trust Corporation: Automation Efforts Need Management Attention (GAO/T-IMTEC-91-1, Oct. 16, 1990).

Resolution Trust Corporation: Stronger Information Technology Leadership Needed (GAO/IMTEC-90-76, July 23, 1990).

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