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Collateral Intelligence: The New Frontier in Asset-Based Lending

BY JEFF CARLSON

Asset-based lending is at a turning point. Manual processes, outdated tools, and reactive workflows are holding lenders back. But a smarter, faster future is emerging. This article explores how collateral intelligence—powered by automation, structured data, and AI—is transforming ABL operations, reducing risk, and unlocking real-time insight. Discover how lenders can shift from inefficiency to intelligence.

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sk operations leaders, field examiners, or credit analysts, and the sentiment is consistent: the process of managing collateral in ABL, though essential, feels broken. It is slow. It is repetitive. And it pulls experienced professionals away from higher-value work.

Across the industry, practitioners report that highly skilled professionals are spending their time wrestling spreadsheets, validating borrower-submitted numbers, and retracing data anomalies that should have been caught earlier. Analysts describe late nights preparing reports that may be outdated by the time they are submitted. Managers acknowledge that the process creates risk, but note that legacy tools constrain options.

There is a shared desire to move from firefighting to oversight, from inefficiency to insight, and from repetition to responsiveness.

Introducing Collateral Intelligence

A workable model for collateral intelligence is emerging, enabled by three capabilities:

1. Automated collateral assessment and ineligibles calculation
2. Centralized, structured data at the invoice and item level
3. AI-driven agents that support smarter, faster decision-making

Together, these capabilities create a foundation for a smarter, more scalable ABL model, one that addresses lender needs and prepares lenders for the future.

Automated Collateral Assessment: The Foundation

At the core of collateral intelligence is precision: identifying eligible assets accurately, applying complex loan terms, and calculating the borrowing base. By automating the assessment of ineligibles and generating borrowing base certificates through standardized logic, lenders gain:

- Immediate clarity on collateral value
- Consistent application of eligibility rules

- Reduction in manual errors and reconciliation efforts

What was once a time-consuming, borrower-led task becomes a shared, auditable, and transparent process that accelerates approvals and improves confidence in every number.

Centralized Data: From Byproduct to Strategic Asset

As automated assessments generate results, they also produce something incredibly powerful: a centralized database of invoice-level and item-level collateral data. This data repository is not just a convenience; it is a material improvement for risk management and workflow control.



■ **JEFF CARLSON**
LoanWatch



These queries would typically take hours to research and compile. With an AI assistant, they are answered in seconds, bringing speed, clarity, and agility to every role on the lending team.

- It enables trend analysis and risk monitoring over time
- It connects disparate data sources into a consolidated dataset of record
- It supports portfolio-level reporting, benchmarking, and compliance reviews

With clean, structured, and current data on hand, lenders unlock deeper insights asking borrowers for another spreadsheet.

AI as a Strategic Partner

AI is reshaping asset-based lending operations: unlocking insights,

accelerating workflows, and proactively managing risk in ways previously unattainable.

Operationally, AI can take over tedious, time-intensive tasks that have historically burdened analysts and operations teams: parsing reports, grouping customers and vendors, validating ineligibles, calculating exceptions, and preparing exam summaries. With AI, these become automated and audit-ready.

But the true power of AI lies in its ability to deliver continuous, near real-time insight into a borrower's financial position:

- Evaluate financial viability through near real-time analysis of AR, AP, and inventory data
- Identify trends in customer behavior, concentration, and risk tied to open receivables
- Highlight drivers of ineligibles, helping both borrower and lender pinpoint operational opportunities to unlock availability
- Surface issues in inventory (such as aging, obsolescence, or valuation) that may impact collateral quality
- Proactively alert the appropriate users when thresholds are crossed or risk patterns emerge.

This transition marks a fundamental shift from reactive reviews to proactive engagement. When fully realized, AI is more than a supportive tool; it functions as an intelligent, adaptive layer across the ABL lifecycle, capable of identifying threats and opportunities in near real time and guiding high-impact decisions at scale.

A practical first step toward this future can begin with the deployment of an AI assistant, an agent trained on ABL logic and borrower context, capable of responding to natural-language questions:

- “What’s driving the change in availability this cycle?”
- “Which customers represent more than 20% of AR and are past due?”
- “What’s the average inventory turnover ratio for Borrower X over the last three months?”

These queries would typically take hours to research and compile. With an AI assistant, they are answered in seconds, bringing speed, clarity, and agility to every role on the lending team.

Why Now?

Several forces are driving this shift

- Increasing portfolio complexity
- Increased competition and rising borrower expectations for digital interactions
- Heightened regulatory scrutiny and audit demands
- Recent advancements in AI have made sophisticated data analysis and intelligent recommendations not only possible, but practical and accessible for ABL teams today

Lenders need a solution that provides speed, visibility, and control, all while reducing operational burden. Collateral intelligence answers that call.

The transition is often easier than expected. Most lenders are already receiving borrower AR, AP, and inventory data. With

Takeaways

- 1** Legacy ABL processes are inefficient, consuming valuable analyst time with manual tasks like spreadsheet management and outdated reporting, increasing risk and reducing strategic focus.
- 2** Collateral intelligence transforms ABL through automation, centralized data, and AI—delivering faster decisions, fewer errors, and greater confidence in collateral assessments.
- 3** Centralized, invoice-level data enables smarter risk management, trend analysis, and real-time visibility—turning collateral data into a strategic asset rather than a byproduct.
- 4** AI becomes a strategic partner by automating tedious workflows and providing real-time insights into borrower risk, availability drivers, and operational trends.
- 5** The shift to collateral intelligence is timely, driven by portfolio complexity, regulatory pressure, and AI advancements—making scalable, efficient ABL operations both possible and practical today.

the right platform, that data can be transformed into structured collateral intelligence with minimal disruption.

A Smarter Future for ABL

Collateral intelligence is no longer a distant concept; it is a practical next step. By combining accurate, automated assessments with near real-time data and AI-powered insights, lenders are not just solving for efficiency; they are building smarter, safer, and more agile credit operations.

Most lenders already receive AR, AP, and inventory files; the gap is processing them programmatically and consistently. The professionals who have lived the burden of legacy workflows are ready for something better. 📦

As a co-founder and CEO of LoanWatch, Jeff Carlson is a seasoned leader and serial entrepreneur with more than two decades of experience designing, building, and scaling software solutions. His expertise spans product strategy, analytics, and implementation, with a proven record of transforming asset-based lending through modern, data-driven technologies. Jeff’s ventures and product leadership have helped financial institutions streamline operations and achieve sustained performance gains.

He previously co-founded a data analytics consulting services and product company that helped organizations derive critical insights and make better decisions based on data; the company had a successful acquisition in 2022.