



WEB-BASED FINANCIAL MANAGEMENT

RAIT and WebSeries Focus on Controls

The \$500 million REIT only has 30 employees, which makes the Web a useful tool to keep tabs on rent and other financial transactions at its investment properties

BY JOHN ADAMS

Real estate investment trusts have an array of new regulations that place their cash management under the microscope, and at least one of them, RAIT Investment Trust, has decided that providing Web access to its financial partners and transactions was the best way to keep tight controls.

Ellen DiStefano, EVP and CFO of RAIT, says the difficult combination of being a large REIT with a small staff increases the complexity of treasury management and transparent financial performance. "We're in a risky position," she says of RAIT, which has only 30 employees, despite managing a half billion dollars in assets. "We need all the controls we can get."

RAIT is deploying software from Bottomline Technologies called WebSeries. The product is a Web-enabled payment and financial-information management system that uses client-defined business rules to electronically maintain payment processing in a secure and scalable environment. RAIT plans to use WebSeries to process wire transfers and do daily reporting of account activity and balances. The product will enable payments and bank balance data to be automatically uploaded to the general ledger.

And RAIT has a number of balances to update. The REIT specializes in mezzanine lending on commercial and mixed-use properties valued at between \$2 million and \$30

million, such as shopping centers, apartments, warehouses, office buildings and hotels. Calling itself a hybrid REIT, RAIT originates mortgages and invests equity in commercial real estate. It's an arrangement DiStefano says carries higher risk than most REITs. "We have both debt and equity; most lenders don't take that kind of loan," she says, adding that while the financing is unusual, the loans, which go to sound borrowers, aren't subprime.

The enhanced risk creates a greater need for sound management of financial relationships within the projects RAIT has a hand in funding. It controls all the cash related to the properties, collecting rents from the tenants on behalf of the property investor. Depending on the structure of the loan, RAIT gives the money it collects back to the investor.

And many of these relationships involve different procedures for money transfers and payments. "We have 15 or 20 different banks that have different systems for providing information on wire transactions or other transactions that we have to deal with three or four times per month," says DiStefano. "We have to pay the lender in front of us, and pay the operating expense of the building." She adds that RAIT traditionally has employed staff simply to keep tabs on the accounts. "We can't believe that we were doing everything by hand," she says.

WebSeries retrieves data files from a source system, such as a client's claims system or general ledger, then formats the file

to fit how the recipient is configured to receive transfers or payments. Once the payment is executed in a check or e-payment, WebSeries updates the status of payments—giving users the option to do stops, voids or reissuances.

"The folks in the finance department are trying to consolidate payment workflow coming in from multiple systems," says Chip Martin, VP of product management for Bottomline. The technology also aids in compliance by consolidating processes and information on one gateway. "With all of the changes in the world due to Sarbanes-Oxley, documentation of approvals and controls are important," DiStefano says.

The added layer of corporate reporting pressure in a heavily regulated environment is having a particularly tough impact on small firms, which have to be more diligent with fewer human resources. There are also fewer people to double-check financial reports and account statements. "Small companies have an issue with segregation of duties," DiStefano says. "You don't have the people to sign off on each other's work."

RAIT has its own rules and protocols about maintaining its financial relationships, which are now programmed into WebSeries. DiStefano says the additional transparency is helpful for the REIT's own business associates. "Having an outside system helps with shareholders," she says. "It's timely that we can [depend] upon this for business needs, and are also able to document internal controls related to cash." ■