

EXAMINATION TRENDS

Field Exams: Evolving Tools, Unchanging Purpose

BY DOUG JUNG AND TRENT TANBER

Field exams may not make headlines, but they're the unsung heroes of asset-based lending. This article explores how these rigorous, hands-on reviews continue to anchor risk management in a tech-driven world. If you're a lender seeking deeper insight into collateral quality, evolving risks, and the future of ABL diligence—read on and stay ahead of the curve.

Despite decades of evolution in lending practices, one constant remains: the field exam. It serves as the quiet backbone of risk management in asset-based lending (ABL): hands-on, detailed, and essential. Rooted in traditional factoring diligence, field exams remain a cornerstone of ABL. Their core scope has remained remarkably consistent over time, encompassing the full working capital cycle—cash, accounts receivable (AR), inventory, and accounts payable (AP)—as well as compliance testing for payroll taxes.

Field examiners deploy a range of analytical tools to assess collateral performance and quality. These include AR rollforwards to evaluate turnover and dilution, inventory margin and turn analyses, and fraud detection procedures such as invoice/shipping tests and inventory counts. While new borrowing base components like unbilled AR or in-transit inventory have required additional procedures, and cross-border deals have introduced jurisdiction-specific nuances, the fundamental scope of field exams remains the same.

Technology Has Enhanced, Not Replaced, the Process

The evolution of technology has dramatically improved the quality and accessibility of data. In the green-bar paper era of the 1980s and 1990s, conducting a slow-moving inventory analysis was a laborious task, if not impossible within deal time constraints. Today, with more robust ERP systems and tools like Excel, field examiners can perform complex collateral analytics more efficiently and with greater precision.

Labor-Intensive and Multidisciplinary

The role of the field examiner is to take collateral data from multitudes of different systems and translate that into collateral information in a language readily understood by asset-based lenders—this is not an easy task.

One of the most misunderstood aspects of field exams is their labor intensity. This was true 30 years ago—and is

arguably even more so today. Field examiners must first clean and standardize data drawn from disparate systems and formats before any meaningful analysis can begin. PDFs, inconsistent file structures, bespoke contracts, and complex corporate hierarchies all require careful handling and interpretation before Excel-based tools can be used effectively.

In practice, this means starting with a wide range of unstructured inputs and distilling them into a common language and format familiar to asset-based lenders. The ability to cut through complexity and deliver a work product that simplifies key points of interest and lender risk is a rare skill that underpins the value examiners provide, which combine underwriting, auditor/accounting and legal skills.

Beyond data wrangling, field examiners must sample and test detailed collateral elements: invoices, bills of lading (BOLs), inventory SKUs, bills of materials (BOMs), customer and vendor contracts, and more. These documents often vary in format and complexity, demanding that examiners quickly identify relevant information and assess control issues such as title passage, payment terms, rights and remedies and other issues.

Moreover, field exams are inherently iterative. Examiners don't simply collect data, disappear, and return with a report. They engage actively with borrower personnel, ask questions, validate findings, and continuously refine conclusions.

Technology Brings New Risks

While technology has improved data visibility and analytical capabilities, it has also introduced new risks—particularly around data security. Field examiners handle highly sensitive, non-public information: customer lists, vendor relationships, gross margins, and more. This data must be protected from



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cyber threats and unauthorized access.

For lenders and clients, choosing a field exam partner with a secure IT infrastructure is no longer optional—it is essential for data protection. Field exam firms must invest in robust IT infrastructure, including secure email systems, encrypted data storage, cloud protocols, and phishing defenses. They must also be prepared to pass rigorous IT security audits conducted by bank clients. Protecting borrower and client data is a core responsibility.

AI: Promise and Caution

Artificial intelligence (AI) represents the latest frontier in ABL, drawing increasing interest for its potential to streamline field exams. From automating certain testing procedures to detecting data anomalies and summarizing relevant contracts, AI tools could significantly reduce manual effort, accelerate findings, and potentially shorten deal timelines.

However, as with any emerging technology, caution is warranted. Entering confidential borrower data into AI platforms raises critical concerns: Where does the data go? Who has access to it? Is it truly secure?

AI may deliver powerful capabilities, but its use must be carefully managed with data protection as the top priority. Without rigorous controls, firms risk exposing sensitive financial information or unintentionally breaching regulations. As adoption expands, the ABL industry will need to establish clear standards for AI use—balancing innovation with trust, speed with scrutiny, and efficiency with ethics.

In many ways, field exams haven't changed—they remain labor-intensive, time-sensitive, and reliant on professionals with multidisciplinary skillsets. Yet they've also evolved, adapting to new collateral types, leveraging technology for deeper insights, and confronting new challenges like cybersecurity.

The essence of field exams endures: they are a rigorous, hands-on process that provides lenders with the clarity and confidence needed to manage risk. And in today's data-driven

world, the responsibility to protect that information has never been greater. ■

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Doug founded and built the Diligence Services team at Hilco, which now includes professionals in both the U.S. and the UK. His team performs ABL field exams, fraud and forensic reviews, and deal-specific diligence for lenders, private equity firms, and advisors. He is widely recognized for his leadership in the field and was inducted into the Secured Finance Network's Hall of Fame in 2022.



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