how to reduce borrower friction and increase loan volume

Current deposit outflows and slim net interest margins are forcing banks and credit unions to look for ways to promote loan growth and increase productivity measures to minimize expenses. To be competitive in today's market, efficiency is key. By streamlining internal procedures and removing application friction for borrowers, more loans can be processed in less time – with less time spent on paperwork.

Without a modern loan origination platform, banks and credit unions are often losing more business than they generate because prospective borrowers abandon the cumbersome process before they complete it. Internally, institutions spend anywhere from 30% – 70% more time processing a loan than those using today's digital systems.

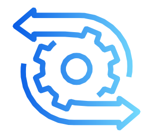
Let's look at how a digital lending platform can help you address these challenges by streamlining each step of the process.

an intuitive borrower application

Today's consumers expect a seamless, Amazon-like experience in all aspects of their lives. They want to use their device of choice and want the flexibility to move across channels at will. This includes connecting to financial accounts, uploading documents, completing verification tasks, providing e-signatures and more. To be successful, a loan system must offer the borrower a streamlined experience from application to close. This enables banks and credit unions to help more borrowers at lower cost.

pipeline and workflow management

When choosing or implementing a lending platform, remember that it is not just about the borrower's experience, but also that of your lending and credit staff. If the system is not user friendly and intuitive, your employees will not use it. A path is needed for each loan, no matter what type, to move seamlessly through the system, and that includes sending notifications to anyone required to take action.



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secure transfer of financial data

Prior to the latest generation of origination systems, lenders were dependent on the time-consuming process of requesting financial records and waiting days or weeks to receive a completed package. Many of these documents were sent via insecure unencrypted emails from the applicant to the institution. By digitizing the experience, work is eliminated on both sides. A digital system:

1. Automates the request for financials.
2. Allows the applicant to send the information in an easy yet secure process.
3. Enables the same automated, secure process for guarantor or co-signer information.

The ability to scan, read, and interpret files – such as tax returns – has improved dramatically, removing error-prone, manual data entry.

decision automation capabilities

The goal of a digital loan platform is to identify, based on your credit parameters, the ideal path for applicants as they enter the system:

- Smaller loans may be approved via credit scoring and move directly to the documentation and funding stages.
- Others might be scored and then presented to credit officers for spreading and underwriting.
- Larger, more complex requests might be destined for more robust underwriting.

Each request has its unique documentation characteristics based on loan type. Some may not fit the institution at all and could be routed to a third party for alternative financing. The key is the ability to define options based on your institution's credit preferences.

robust financial spreading and credit presentations

In terms of financial analysis, it's important to have a system that offers:

- A solid user experience when spreading financial statements and tax returns.
- Integration with loan officer presentations, eliminating dual entry or cutting and pasting of data.
- Enables stress testing.
- Accommodates both consumer and commercial loans, including portfolios that are heavy in commercial real estate.
- Easily handles everyday loans as well as more specialized offerings, such as agricultural lending.

For every 100 business loans you renew annually, that represents an added cost of **$200,000.**

seamless approval, documentation, and funding with core integration

By integrating the process of underwriting and credit presentations, they should flow seamlessly on to the next step – from loan approval, to documentation and boarding, to your core platform. This is accomplished through integration with documentation and core processing systems.

exception and covenant tracking and facilitation of renewals

Loan losses occur when circumstances change. It's important to constantly monitor exceptions, covenants, and renewals. It's also important to integrate these with your financial spreading and underwriting tools so they can first be defined and then tracked.

Most analysts agree that the typical business loan renewal costs your organization between $2,000 and $3,000. For every 100 loans you renew annually, that represents an added cost of $200,000 or more.

Renewal steps can and should be automated to the point that they simply enter a work queue, so they are resolved quickly. When these systems are implemented, your savings should be at least 50%, but more likely 70% – 80% on the average loan.

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open api integration

Digital lending platforms act as orchestrators of complex lending ecosystems comprised of back-office systems, consumer financial data sources, technology component suppliers, third-party service providers, and secondary market investors. It is the role of the digital lending platform to connect the various systems needed to close a loan, ensuring they communicate in ways that support a quick and efficient close. This typically occurs through a combination of pre-built integrations and APIs that allow customized data flows.

an integrated solution

A single, all-digital loan platform helps lenders maximize their digital agility, streamlining the journey from application to close. Digital lending platforms allow banks and credit unions to help more borrowers, increase productivity, and deepen relationships with customers and members.

create limitless possibilities

Learn more about our next-generation lending technology.

For more information about Jack Henry, visit jackhenry.com.