White Paper

lending • loan origination

digital lending: 7 timely benefits you can’t ignore

jack henry™

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While the transition to digital banking was well underway before we encountered a global pandemic, that transition was turbo-charged in 2020 when traditional branches were locked down and digital became a necessity for community and regional financial institutions, and accountholders alike.

Since then, financial institutions have opened up branches again, but habits are forever changed. Having been forced to adapt to digital banking, accountholders are now opting for digital solutions to meet their financial needs. For example, BAI reports that 87% of consumers plan to continue their increased use of digital banking tools after the end of the pandemic.[1]

Nowhere was the rapid transition to digital financial services more apparent than in lending departments. The pandemic likely accelerated digital lending by at least five years from the trajectory it was on prior to March 2020, largely due to the need for financial institutions to support CARES Act initiatives such as the Paycheck Protection Program (PPP). This means financial institutions need to provide digital tools that make it easy for borrowers to apply for loans online and create more efficient processes internally so loans can be processed and approved quickly and securely.

Improving the digital lending process will make your organization more competitive in the marketplace, more efficient, and more profitable. According to McKinsey, "Success means much faster credit decisions, with [accountholders] getting cash up to 80 percent sooner; lower costs, with 30 to 50 percent less time spent on decision-making; and better-quality risk decisions, which translate into greater profitability down the road."[2]

The rush is on for financial institutions to add new digital lending capabilities. Single digital platforms for loan origination and portfolio management help meet the needs of lenders, as well as the demands of their borrowers. **Here are seven key reasons a single digital loan origination platform is imperative in today's environment:**

1. consistency

Financial institution executives seek greater consistency in both the credit approval process and portfolio management. By utilizing integrated data in a single loan origination system, this consistency is achievable across individual lenders as well as lending units in the institution. They provide easy access to trend and decision metrics for later use in compliance functions and external reviews. The same is true in the field of portfolio management. Surprises are less likely, which is a good thing in the credit world. It helps to know that if you have 10 lenders, they're all operating from the same book, using the same pre-defined processes, and managing to the same exceptions.

In a recent self-assessment of digital lending maturity, most global financial institutions considered themselves either "fast followers" or "laggards." This represents lost business and/or dissatisfied borrowers.[3]

2. efficiency

A digital lending platform that reduces overhead by 30 – 50% means time savings, more revenue, and greater growth opportunities. It also improves borrower relationships – lenders can spend more time engaging clients in relationship-building activities, such as learning about their businesses, making follow-up calls, and securing referrals for other new clients.

Cost efficiencies are also realized by minimizing the number of systems involved in lending practices. The single platform concept delivers efficiencies by breaking down operations obstacles associated with IT support, loan staff training, and vendor management. Automated, paperless workflows that route loan requests through underwriting provide a user-friendly, more illuminated path for your staff while delivering the superior consistency that regulators love.

"… we've been able to facilitate a **simpler, more seamless borrower experience** while empowering employees to help us better track and monitor individual relationships as well as our overall portfolio. That helps us to be a better corporate citizen in today's economic environment."

David Finnerty

SVP, Senior Operations Officer, Guilford Savings Bank (CT) and Jack Henry client

3. enhanced profitability

Time is money, and digital lending platforms automate and expedite the processing performance of a lender. By reducing time and expenses during both the origination and portfolio management stages, a financial institution not only becomes more productive, it also has more bandwidth to generate new business. Profitability also comes through cost savings as well as new business generation. Increasing loan productivity helps secure assets on the balance sheet and, by optimizing technology, financial institutions can control expenditures and cost based on the efficiencies of a single lending platform.

4. seamless monitoring

The term "monitoring" refers to exception tracking, covenant monitoring, financial trend analysis, and tracking of loan renewals. Depending on the institution's use of the system, monitoring might also encompass risk rating analysis and CECL reporting. These are the portfolio management components that many fintech providers fail to encompass within the scope of their systems. Monitoring should go beyond loan origination and focus on the time between loan funding and loan payoff.

5. streamlined examinations and participations

When data and reporting are at your fingertips, the process of making that data available to others becomes much easier. Examiners are already working to take their processes out of the institution, especially in today's environment. By doing more off-site exam work in their office, they increase their own efficiency and allow your team to save time. This applies to loan participations as well, where relationship data can be shared in an online environment. This not only streamlines the settlement process, it creates an environment where your participants can access their own reports rather than having to spend time pushing reports out to them.

6. security

Paperless workflows protect staff as they move volumes of supporting documents through underwriting. They also streamline and standardize portfolio management, bringing much-needed order to a chaotic world. Online portals provide safe communication channels for borrowers and lenders alike.

7. flexibility

2020 revealed the importance of having a secure, 24/7 digital channel to fully service consumer and commercial borrowers remotely. Cloud and mobile technology let lenders efficiently work wherever they are – at the branch, from home, or in the field.

87% of consumers plan to continue their increased use of **digital banking tools** after the end of the pandemic.

help your borrowers move forward

The digital renaissance in lending will continue throughout the 2020s.

Fundamentally, lending is about relationship development. Look for digital systems that can save your staff time while increasing not only their efficiency, but also their effectiveness. That time savings gives them the opportunity to do what they do best – interact with your clients and prospects. It gives you a competitive edge and allows you to focus more on relationships … and less on process.

Hopefully you're always evaluating your lending workflows and considering the borrower's journey within your lending processes. Their experiences, and those of your lending officers, will have the best most impact on your financial success in the years to come.

By adopting a single digital lending platform, the lending experience is enhanced for both lenders and borrowers.

connecting possibilities

Learn more about our digital lending technology.

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

sources

1. BAI Research: *87% of Consumers Plan to Continue Their Increased Use of Digital Banking Tools After the End of the COVID-19 Pandemic*, BAI, accessed May 6, 2020.

2. Chappell, Gerald, et al. *The Lending Revolution: How Digital Credit Is Changing Banks from the Inside*, McKinsey & Company, accessed May 6, 2022.

3. Marous, Jim. *Banks Must Digitally Transform Consumer Lending*, The Financial Brand, accessed May 6, 2022.