Place Self Service at the Core of Loan Origination Processes

Introduction

This whitepaper will address customer portals and the general concept of digital self-service, focusing on the customer experience within financial services. Banks and other financial institutions should consider the opportunities to grab market share and decrease operating costs by leveraging self-service. Those that understand and implement effective self-service portals will gain a competitive advantage in the years ahead.

Here are specific topics we will cover:

1. Integration to core banking

2. Automating existing processes

3. Applying B2C trends to B2B

4. Leveraging existing customer data

Those banks that adapt to the demand for digital solutions for all forms and reporting are required to service loans position themselves to be more successful.

Integrations to Core Banking

While the banking industry has made great improvements in digital self-service, most of the recent trends and reactions to the pandemic center around end-user accessibility. Video banking and interactive teller machines (ITMs) are a big part of banking branch transformations and infrastructure overhauls. These options may become standard and expected for banks in the near future, and it's not a big step to expect brokerage houses and other financial institutions to follow suit.

However, loans have always been the core of the banking industry. Banks earn revenue by leveraging customer deposits into profitable business or individual loans. Therefore, the goal of the bank should be to vet customers and issue loans as efficiently as possible.

As an example, when the federal government announced the original Paycheck Protection Program, demand for these loans far outstripped supply. A bank with the ability to issue federally guaranteed loans left money on the table if it was unable to service customer requests.

Banks should look at the core of their business—loans—and create systems that streamline the application, approval, distribution, and management of profitable loans. The banks that flourish in the future will be those that adapt to the demand for digital solutions for all of the forms and reporting required to service loans. Other financial institutions should make a similar consideration: What is the core of your business, and how can you make it easier for customers to access it?

Automating Existing Processes

Automation may refer to a digital utopia where human involvement is completely removed or where processes are clear and simple to follow for all humans involved. In one light, there are four types of processes in the banking industry. The breakdown below is based on the source of demand, the party that prompts the need for change. Financial institutions should facilitate self-service loan originations wherever possible.

1. **Regulation:** Government regulation has changed rapidly since the turn of the millennium. Deregulation changed to tighter regulation in the wake of the Great Recession, then loosened mere years later, and we may be on the verge of new and greater banking regulations. Banks need systems in place to receive, digest, and implement new regulations into their operations.

2. **Prompted by bank:** Whether it's a new credit card, a change in a business' risk analysis, or something prompted by number 1 above—such as PPP loan forgiveness—banks push offers and requirements to their customers. If customers have a single portal for all their needs and receive clear communication with requirements, deadlines, and consequences, they are much more likely to complete their part on time or at least reach out for help.

3. **Requested by customer:** Whether it's in response to number 2, a simple withdrawal, or complex retirement planning, customers come to the bank for help. An incredible amount of waste goes into customer service that could be addressed with today's equivalent of an FAQ. Even more goes into the back-and-forth in loan applications that could be fixed with clearer instructions and better accessibility. A single portal for customers to research and access products they need, coupled with clear instructions, will greatly improve the customer experience.

4. **Internal operations:** All of the above processes are impacted by your internal operations. Employees need access to what your customers see in real time and the tools that will help them problem-solve. Internal resources and communications must be defined and accessible to provide the best service. Your customers have spoken: Waiting on hold for an hour through three transfers resulting in a disconnect is not what they want.

All automation involves a trade-off between up-front investment and down-the-road payoff. Savvy institutions will prioritize high-demand and profitable areas of their business first. They will also move any profit-generating activities from "requested by customer" to "prompted by bank" wherever possible, taking control of their business' future.

Applying B2C Trends to B2B

Business-to-business products and services seem to lag business-to-consumer ones, at least in the customer experience. Perhaps this is because B2B relationships are more intimately developed. Perhaps it's because B2B customers are more knowledgeable about their options. Whatever the reason, businesses are made up of people, and the same challenges and frustrations exist in both arenas. Those B2B companies that lead the way with technology solutions will enjoy a competitive advantage.

Financial service providers that focus on B2B should consider the robustness, personalization, and authenticated experience they offer their customers. The goal should be a seamless experience that takes prospects from strangers to repeat customers.

This process may still include traditional elements such as sales representatives and content management systems, but it should all be wrapped up into a cohesive digital experience platform (DXP), a suite of digital products that work together to provide the best customer experience. This means attracting, engaging, and converting customers with superior offerings and media, then retaining and growing customer revenue in perpetuity.

Leveraging Existing Customer Data

Because 1.) Banking is a highly regulated industry and 2.) individual banks assess risk and approve loans using their own processes, there is often a disconnect in the application process. It may be the wording on an application, a nuanced distinction between fields, or some other mundane detail. Various loan applications waste resources on the back-and-forth that arises from this confusion. The solution is to leverage existing customer data in two ways:

1. Auto-fill application fields where possible
2. Speak your customer's language

The first is simply pulling from the vast data that banks collect on their customers. However, this requires robust systems for storing, organizing, and pulling the data where applicable. The second involves changing terms and wording on applications or creating a customer-facing application that integrates with an internal document.

Using the PPP example again, we have already had round two of the loan, and it's possible another is coming soon. The banks that capture most of this business will be the ones that automatically update customers with impending programs, assist in the application process (including pre-filling forms), and provide customer portals for effectively managing and paying their loans.

Future Considerations

We're living in a period of constant and accelerating change, both in regulation and technology. There are certainly many changes ahead, but here are some key considerations for banks:

1. **Universal basic income (UBI):** The recent "stimulus checks" demonstrated the US government's incompetence on multiple levels. If some form of UBI becomes the norm, a push for banks to play a larger role in it would be welcomed both by the government—if fewer errors were made wasting less money—and by the people—if they receive their deposits in a timely and accurate manner.

2. **Central bank digital currencies:** This may be one of the biggest threats to the banking industry right now, but it could prove to be an incredible opportunity. Those institutions that invest in technology and find a way to add value to the most basic function of money—commerce—may land the US federal government as their largest client.

Self-Service Portals

Self-service portals are becoming more widely accepted—and expected—in the financial services sector. Their uses are also increasing from simply viewing accounts to researching, transacting, and completing new applications. With the forced business closures that governments imposed as a response to the pandemic, customers' access to brick-and-mortar locations and in-person assistance decreased significantly. As we see that some changes brought on by the pandemic will be here to stay, providing your customers with accessible, effective digital self-service options is essential.

Discover how Digital Self-Service can help you increase customer satisfaction and revenue

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