



Loan Origination—The New Battleground

Automated Loan Origination Will Help Credit Unions Compete for Customers and Profits

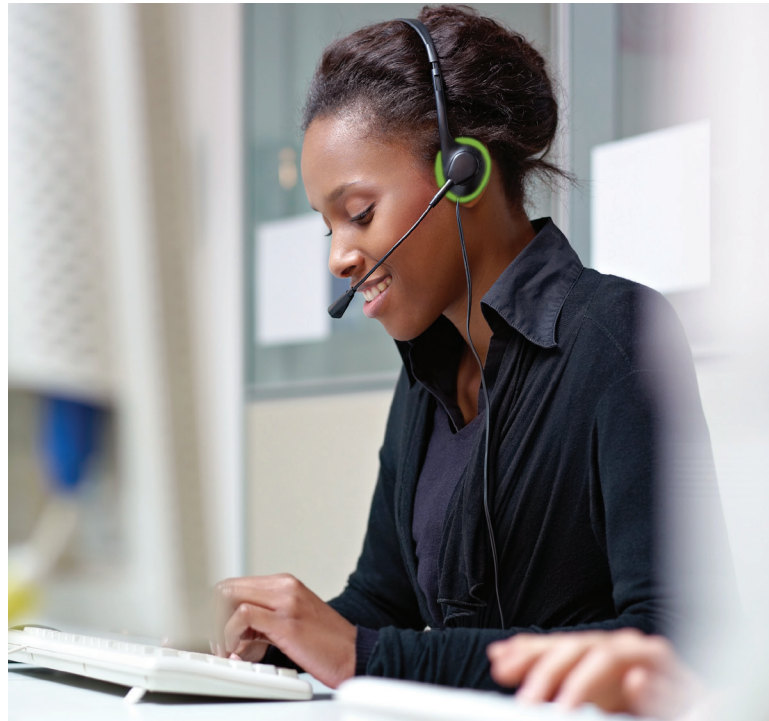
Credit unions have created a persona and market niche by putting an emphasis on providing responsive services tailored to the needs of established members, while anticipating those of prospects. However, in today's economy a credit union's stable growth depends on more than personalized attention. Facing innovative click-and-brick competition and rigorous financial regulations, lending organizations are discovering new ways to meet customers' needs. Loan origination – the new battleground – is the banking process that encompasses how a credit union member applies for a new loan and how the lender processes that application, then upon approval, distributes and administers the requested funds. From start to finish, there are many steps involving forms, filings, requests, options, and protocols. In the past, it was customary to take weeks to formulate a response to a loan application, but customers now expect approval news within days, if not hours. And with easy online access to multiple lending sources, borrowers are likely to go with the best rate provided by the lender who responds and funds (or issues cards) the fastest.

Automating the various loan origination processes can significantly improve a credit union's level of service and sales performance and help build a competitive advantage in the marketplace. Although many credit unions use automated loan origination systems (LOS), many still do not, or they are not utilizing the loan origination system to its highest level of efficiency. There are several key factors that can be barriers to selecting and implementing an automated LOS application, but a credit union will need to face them if it intends to grow.

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A credit union that's considering a change to an LOS or an upgrade will need to take a close look at these overarching issues:

- Will the LOS software integrate with all systems, current and future?
- Will it genuinely enrich the member experience?
- Will the LOS provide intuitive mobile functionality?
- How will it increase operational efficiency?
- Will it support all organizational goals and objectives without creating new challenges elsewhere?
- What is the credit union's credit model capacity and goal for automated approvals?



Let's take a deeper look at the issues listed above:

1. How efficiently does a potential LOS connect with your core system and other systems?

Working within legacy systems is a typical problem for large organizations looking to make substantial operational software changes. For a credit union, collecting, reviewing, and approving applications might each take place on different platforms. Then there are systems that quantify CECL requirements, and even more that manage internal reporting. Indirect lending adds yet another layer of dealer systems that will need to integrate with a new LOS. The IT and lending managers within a credit union will need to review software specs and capabilities as well as their own needs to make sure there is a match and no surprises down the road.

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2. Does the LOS save members time and make the end-to-end borrowing experience better?

In addition to speed and ease of use, an LOS needs to create a seamless experience through all steps of the lending process. This includes similar services for indirect or direct borrowers who aren't yet members. The LOS must allow any application to access and verify personal data, run ChexSystems, comply with Bank Secrecy Act/Anti-Money Laundering regulations, and provide Truth in Savings disclosures.

3. Will the LOS mobile app keep up with technology and lifestyle changes?

In an age where technology sprawl can help and hinder, the judicious selection of an LOS should consider mobile functions demanded by 24/7/365 access on multiple devices, including:

- Real-time account opening with a full eligibility wizard, member documentation uploads, and online signatures
- Rapid automated decisions that support specific credit union strategies, from the simplest to the most complex
- Streamlined origination, automated underwriting, and funds disbursement with flexible third-party integrations
- Seamless integration that supports specific current processes, but with enough flexibility and access to accommodate and manage changes in the future
- Support for a credit union's brand with intuitive design applications that customize the solution to complement and enhance its mobile and full websites

4. How will the LOS help operations and affect staff?

Considering the needs and preferences of credit union staff is just as important in order for them to understand and embrace a new LOS. Their front-line experience can also shed light on vital daily operational issues that affect, not only member satisfaction, but also shape an effective and profitable lending strategy.

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5. Will the LOS help your credit union grow and meet members' borrowing needs?

Any LOS under consideration should provide bottom-line results, creating new lending opportunities that serve the needs of a growing community while growing a credit union's borrowing base. This includes working efficiently with the dealer network; leveraging member and prospect data to help a credit union create, offer, and manage new lending products; and applying performance data and using it to improve underwriting and pricing.

6. Will the LOS support increased automated approvals that meet the existing lending requirements yet not increase the risk tolerance?

Finally, an LOS should be customized enough to your credit union's required data collection, credit criteria and lending goals to generate more automated approvals without adding unacceptable risk. More automated approvals allow for production staff to focus on the loans that require a personal review that credit unions are known for.

Conclusion

Existing and prospective members alike will greatly appreciate the responsiveness of a robust, customizable decision engine that provides access to lending information, product options, and a smooth, intuitive application process available over multiple devices—around the clock, 365 days a year. Online lending should supplement a credit union's lending program and philosophy, not replace it. By combining an LOS with a productive and compassionate customer support staff, any credit union can augment its heritage for service with a wide range of new automated capabilities, customer-facing and back end, to compete with anyone in the lending arena.

For credit unions looking to expand their lending products and services, an LOS is a smart e-comm decision that can leapfrog years of loan office traditions and high costs. It will take time to fully implement, but it's likely that a credit union of any size and in almost any area will be on the right path to faster ROI and increased customer satisfaction.

The Lending 360 loan origination system is also worth considering as a member-friendly solution to open and fund new accounts. Integration between account origination and Lending 360's loan origination functions enables credit unions to smoothly process loan applications, which supports new member growth, marketing, and cross-selling across all digital channels.