



5 Symptoms That Your Loan Origination Is Slowing You Down!

A Newgen Guide for Lenders

The negative impact of an inefficient and sub-par loan origination goes far beyond onboarding, and hurts your overall lending business. Learn how.



There is an often quoted age old banking 'formula' of **3-6-3** i.e. raise deposits at 3 percent, lend at 6 percent and play golf after 3 PM!

However, digital lenders have flipped this traditional global order on its head with the **3-1-0** system: **3 minutes to decide, 1 minute to transfer the money and 0 human touch!**¹

This change in paradigm has thrust loan origination to the forefront of digital lending competitiveness. Traditional banks need to recognize the pivotal role that loan origination plays in the digital battleground.

For, an inefficient and sub-par loan origination impacts more than just onboarding, slowing you down as an organization.

Food For Thought

- The global digital lending market is expected to grow from **USD 10.7 billion** in 2021 to **USD 20.5 billion** by 2026

- The European digital lending platform market is demonstrating growth with a **CAGR of 18.5%** for 2021-2027. The most substantial contribution to the growth is likely to come from German, UK, French, and Belgium banks and fintech companies

Source:

<https://www.globenewswire.com/en/news-release/2021/10/19/2316233/28124/en/Global-Digital-Lending-Market-2021-to-2026-Increase-in-Demand-for-Advanced-Digital-Lending-Solutions-for-Retail-Banking-Presents-Opportunities.html>

<https://hesfintech.com/blog/digital-lending-trends-in-europe/>

Five Symptoms Your Loan Origination is Slowing You Down

1

Loan Application Abandonments

Customers are compelled to leave applications in between despite all their best intent and effort

2

Missed Cross-sell Opportunities

Customers don't fall for offers that are not timely and contextually relevant

3

Overworked Workforce

Workforce is often pushed trying to meet customer expectations while overcoming system limitations

4

Latent Costs and Losses

Banks incur multiple indirect costs owing to poorly designed or implemented loan origination

5

Compliance Nightmares

Regulatory requirements become difficult to meet post-facto due to deficient loan origination processes



1

Loan

Application Abandonments

Customers leave a loan application midway for a variety of reasons. However, if they leave after making some progress with it, chances are that friction in your loan origination process has compelled them away. It's a straightforward revenue leakage, and a loss of time and effort for you and your customers.

Where lies the problem?

- Disjointed process, caused by siloed applications and functions, results in a broken experience and causes undesirable delays
- Long and complicated forms, inability to complete the end-to-end application on mobile devices or to switch channels midway, and the need to visit a branch for submission of documents, cause friction in the loan application process. This leads to frustration, and hence abandonments
- Customers often feel disengaged due to lack of relevant and timely updates, and inadequate support from the bank's staff

How do you tame abandonments?

- Base your loan origination system on process automation to bridge silos for a smooth customer journey
- Leverage new-age technologies for automated content ingestion from the submitted documents to speed up submission
- Provide omnichannel and cross-channel experience by integrating mobility with process automation

2

Missed Cross-sell Opportunities

Banks have significant opportunities to upsell and cross-sell during or towards the completion of loan application process. This is, of course, provided they do the basic loan origination well and pay attention to details that usually get lost in the transactional rush. Most banks, unfortunately, struggle to do this due to ineffective loan origination.

Where lies the problem?

- The first and foremost issue in not being able to tap cross-sell opportunities is that the loan origination itself is sub-par and doesn't always delight the customer enough to offer other products and services convincingly
- The loan origination process, in absence of an effective solution, doesn't enable your workforce with the relevant context to tune offers to the customers' needs
- Mostly, the loan closure is so long-drawn that all the back and forth takes the positivity away from interactions, hurting overall prospects

How do you enable upsell and cross-sell?

- Speed up the end-to-end origination process and offer a great experience through automation (That's a given)
- Integrate process automation, machine learning-driven predictive guidance, and content analytics to enable context-driven offers
- Enable authorized access to your knowledge workers to empower them with intelligent decision making for better-fit upsell and cross-sell offers

3

Overworked Workforce

Happy employees lead to happy customers. Unfortunately, inefficient loan origination can lead to overworked employees that reflects not just in end-to-end process, but also the overall lending business. You also miss out on the opportunities to innovate while your knowledge workers struggle with routine and mundane tasks.

Where lies the problem?

- Manual and paper-driven process results in your workforce running around for paperwork and information, causing manual errors, unnecessary delays, and frustrated employees
- Knowledge workers often keep waiting for information, and spend inordinate time making up for incomplete data with repetitive and mundane tasks

How do you empower your workforce?

- Leverage a combination of technologies to help improve productivity. RPA can take away mundane tasks to execute them faster while freeing up knowledge workers. Similarly, process automation and document management help in ensuring that tasks are assigned and tracked efficiently, and information and documents are accessible when required
- Empowered workforce can yield you benefits beyond loan origination. Relationship managers can focus on customers, and upsell/cross-sell. Loan officers can think about high value transactions. Credit heads can work on innovative products and offerings that can truly expand and scale business

4

Latent Costs and Losses

A deficient onboarding process can lead to many hidden costs and losses that reflect in the rest of the business. Losses on account of rework, unfavorable decisions, idle times, untimely actions, unsatisfied customers, ill-formulated deals, unfavorable credit terms, and unduly high risks and fraud situations, all result in a heavy cost burden on an already stressed lending operation.

Where lies the problem?

- The ability of your teams to assess risks and fraud situations accurately and timely gets severely limited in an inadequately automated or manual loan origination process
- When your experts cannot access all contextual information, including collateral, when needed, it results in unfavorable terms and costly deals
- Ineffective loan origination leads to cost leakages across the cycle, with dissatisfied customers, unhappy employees, and weakly handled regulatory requirements being a key reason for losses

How do you cut latent costs and losses?

- Plug rework, delays, manual errors, and idle times through process automation and straight-through processing
- Integrate modern technologies, such as machine learning and AI, in conjunction with content services to improve the speed as well as the quality of contextual decision making
- Enable real-time access to contextual information for the better deal formulation

5

Compliance Nightmares

Lending is highly regulated, and for a good reason. Compliance is critical for banks, because it not only leads to penalties, but also in loss of reputation and credibility. Gone are the times when organizations could handle audits and reporting in a post-facto manner. Any gaps in your loan origination process can potentially lead to compliance issues that are difficult to deal with later.

Where lies the problem?

- An inadequately automated loan origination process is bound to be prone to non-compliance due to lack of process and data controls
- Your knowledge workers make critical decisions everyday. Any inability to back those decisions with concrete reasoning and supporting data makes you vulnerable to risks and regulatory penalties
- Inadvertent errors creep in without access to full information in a loosely controlled process

How do you empower your workforce?

- Implement content services. Timely availability of collaterals and keeping risk and credit managers equipped with relevant information go a long way in sustaining good risk ratings. Also, when operations are fast, situations of lock extensions are avoided
- Tighten process control through an intelligent process automation system. Through auditability, tight document and process control, and good analytics and reporting, a robust loan origination solution improves your compliance metrics

Transform Your Loan Origination Process

How Can Newgen Help?!

You need to transform your loan origination and overcome the issues that hinder your lending performance. This requires a unique and focused approach to automation - the one with robust foundation and flexibility.

Our NewgenONE Digital Transformation Platform integrates all the capabilities you need to transform your lending, through our core platforms in intelligent process automation (BPM), contextual content services (ECM), and omnichannel customer engagement (CCM).

Our banking solutions, built over this digital transformation platform can help you streamline account opening, loan origination, trade finance, payments, and compliance & reporting processes, while future-proofing your organization.

Explore Banking Solutions from Newgen

Newgen offers you solutions that can help you achieve a faster-go-to-market, stay on top of regulations, and deliver a great member experience.

We would be happy to assist you in your customer experience transformation journey.

Contact us to know more!



Loan Origination / Lending



Account Opening



Compliance & Reporting



Trade Finance

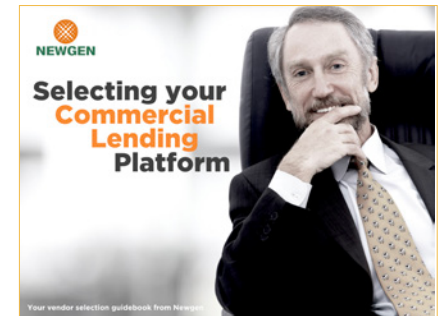


Payments

References

- 1 Digital Lending Report, Boston Consulting Group
- 2 State of Digital Lending, ABA

You may also like to read:



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Newgen is the leading provider of a unified digital transformation platform with native process automation, content services, and communication management capabilities. Globally, successful enterprises rely on Newgen's industry-recognized low code application platform to develop and deploy complex, content-driven, and customer-engaging business applications on the cloud. From onboarding to service requests, lending to underwriting, and for many more use cases across industries. Newgen unlocks simple with speed and agility.

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