

Best Practices to Optimize Digital Lending & Account Opening

Introduction

The digital evolution is forcing financial institutions toward innovation of products and channels offered to consumers as well as their back-end operations for processing. As competition continues to mount, lenders must stay on top of the emerging trends in our industry so they aren't left behind. Taking advantage of the evolving digital marketplace requires a whole lot more than just incorporating a web application on your website.

Today's financial institutions are aiming to stay ahead of the curve and meet consumer demand for speed and convenience need a frictionless culture for their online loan application process. They also need to connect the digital front-ends to back-end processing. The most successful lenders also look to create a digital culture change for their branches and throughout the entire organization.

As financial institutions continue to adapt their operations to evolving consumer demand stemming from the digital marketplace, it can be difficult to determine the functionality and features of a loan origination system and deposit account opening platform that can provide the most efficiencies and growth opportunities. This eBook is designed to explain some of the most important things every financial institution needs from its technology.

1. Eliminate Friction for Consistency Across All Channels, Including Back-end Mobile Capabilities:

While it may be true that your institution has different touch points that occur across different areas of a lending group throughout the life of an application, the consumer should be offered a seamless or frictionless experience.

Examples of decreasing friction include having the decision returned while still in the browser session after submission, providing the opportunity to upload supporting documentation without leaving the decision page as well as the ability to accept cross-sell offers and general documents.

2. Consistent User Interface from Mobile to Branch:

Your digital loan origination solution must support the ability for the user to switch methods of engagement, whether on a mobile device such as a tablet or in a branch.

Your solution also must have a consistent look and feel with familiar features at all levels. A lack of consistency for different applications can confuse the applicant and ultimately dissuade from following through on an application. Make sure that you cover your bases and ensure that all available methods of submission maintain consistent features and branding. To be clear, a truly frictionless digital process goes beyond application submissions and includes back-end processing for your staff.

3. Robust Decision Engine (Especially on the Back-End):

People apply online for both a matter of convenience and speed. If the application process is easy, but followed by a wait for hours or days to get an answer, the value of your digital solution is greatly diminished.

So when considering your digital platform and strategy make sure to consider all of the functionality you need in your loan origination system's decision engine. Automated decisioning that accurately incorporates your policy is critical to improving the application's turnaround time.

4. In-Flow eSignatures (Total Integration):

Filling out an application, getting a decision, uploading supporting documents and accepting cross-sell opportunities are all important parts of a digital application process. However, after an approval has been communicated back to the applicant, getting signatures for documents essentially closes the process.

That's why having eSignature functionality is such a critical culminating activity that should be supported through your digital solution. Without it, the applicant has to work outside the application to finalize the loan. This is both time consuming and inconvenient.

5. Prefill of Fields

The proof is in the pudding. Consumers are looking for more than slogans, smiles and handshakes to prove that you know them. What they want is to not have to start at square one every time they want to apply for something. That's why pre-fill functionality is so important when it comes to the application process.

No one wants to take the time to manually enter information your institution already has on file. Having the ability to prefill the application for an applicant both saves time and improves the overall user experience. Online banking and core system interfaces can supply data for this prefill to occur.

6. Detailed Summary of Loan Terms with Approval:

Once the loan is approved, your digital solution needs to clearly communicate the details of the offer back to the consumer. Information is empowering.

What details should they receive? Whether that means including rates, terms, stipulations and amounts, it is really up to your institution.

But you should consider options that give you control over this content so you can customize this to fit your needs. Regardless of what you decide to display, this is still an important part of the application process.

7. Product-Level Field Configurability:

No single application will fit everything that you offer. It is important that along with branding your website, you should be able to differentiate your data collection requirements to meet the specific product being requested. This allows for a more streamlined process for unsecured products versus requiring more data for more complex requests such as home equity loan products.

Without this flexibility, you will be forced to expose fields in the application based on the product of greatest need, which will increase abandonment rates. Make sure that your solution offers this level of control.

8. Open API:

Processing consumer requests for new products and services may require quite a few steps when you consider the full lifecycle of the application. For both your individual consumers and your staff, navigating these steps should be as streamlined and simple as possible, regardless of whether a loan or deposit account is being processed.

Think of your LOS and deposit account opening platforms as automated ecosystems that need to be able to communicate with each other and, in many cases, with other systems your financial institution uses. Having access to a robust API is critical to allow you to be nimble without having to rely on time-consuming enhancements from your platform provider to accommodate new workflow needs.

Planning your own integrations will allow you to take advantage of emerging new channels and fintech that can refer applications easily into your loan and deposit ecosystems.

9. Optimizing Back-End Workflow (Continuous Improvement Process via Consulting and Analytics):

When the work is done with a new loan or account and you begin to service that product, decision quality testing begins. Accounts or loans that are charged-off challenge your policy for pricing and decisioning. They will sometimes give you the impetus to adjust, as long as you know what to needs to be done.

However, sometimes it is hard to see the forest through the trees. Portfolios are large and analyzing trends can be difficult and time consuming. On top of that, uncovering why something occurred does not always clearly dictate future needs.

This is also true with general process improvements that are geared toward saving time and money. Having a provider that can help

you understand your data and make strategic decisions is critical. Understanding both statistical analysis and system integration specific to your platforms is paramount.

10. Untethered Workspace:

Have you ever felt like your software vendor doesn't understand your needs? So often, platforms are designed best for meeting the needs of existing clients while you are set up with rigidly defined workflows and very little ability to venture away from desks to complete tasks. While desks are traditional, sometimes informal settings like sitting on a couch are more welcoming.

Branches are still necessary, but sometimes eliminating counters, lines and desks to be where it's most convenient for the consumer will win you more business. Having the ability to work applications in any environment improves everyone's experience. Consumers find the application process to be more personal. On the other side of the coin your work is completed quicker and consumer relationships are strengthened.

11. Automated Employment Verification:

In today's financial climate, fraud is a constant threat. Even in cases where the consumer is not intentionally misrepresenting information, there are times when decisions are based on application data that ends up being inaccurate. With that in mind, it is incumbent on your financial institution to ensure that you are diligent in validating the information provided by your applicants.

Income verification is the most common stipulation to prevent an automated decision. Historically, verifying income was a manual process that required copies of pay stubs or tax returns. Until recently, there were not many verification options that allowed direct access to employment information.

However, that is no longer the case. Make sure that your origination system integrates an income verification database for instant checks that verify both employment status and income. This will save you time and improve your overall capture rate.

12. Cross-Sell Maximization Between LOS and Deposit

If you were to conduct an analysis of your customer/member complexion in terms of types and numbers of accounts, like many financial institutions, you would probably find that you have many single-account relationships. For credit unions, consumers applying

for a deposit account can usually open just a share account. For indirect consumers, a share account may be required to join, so they may have two (the loan and the share account).

But for banks, an indirect loan gets booked, and there are no required accounts to be opened. The same thing is true for mortgage accounts. This customer often has just the one account.

Customer retention can be traced directly to relationship depth, so it is important to make the most of your opportunities to get your applicants into multiple products. So if a consumer is applying for a loan, you should have the ability to cross sell one or more deposit accounts. If they are applying for accounts, cross sell additional deposit accounts or loan products.

To be effective, make sure that your LOS and deposit platform provide meaningful offers that can be executed.

13. Reduce Duplication of Consumer Activities Through Strategic Combinations:

For credit unions, consumers already have a straight-forward and simple approach for obtaining a deposit account. When it comes to indirect consumers, or consumers shopping for a loan, having a share account with the credit union is prerequisite for obtaining a loan. Suddenly the simple process for a new member becomes more complex in requiring two applications be submitted with approvals required on the membership account prior to a loan being decisioned.

Given that most of the data-points to open a loan are very similar to those for opening a membership application, a smart lender can combine the request on the consumer-side. Thus a single form from the consumer's side can service two interrelated applications. With auto-decisioning on the back-end, a consumer can be decisioned quickly and easily on both, thereby reducing any friction that may have prevented a consumer from signing up in the first place.

Recommended Solutions

MeridianLink Portal, formerly known as **Application Portal™** (Digital Acquisitions)

MeridianLink Portal allows financial institutions to maximize digital lending profit and efficiency by offering consumers the ability to apply from any computer or mobile device.

MeridianLink Consumer, formerly known as **LoansPQ®** (Loan Origination System)

Simplify lending with MeridianLink Consumer, a powerful and robust web-based decisioning engine perfect for financial institutions of all sizes.

MeridianLink Opening, formerly known as **XpressAccounts®** (Opening & Funding Platform)

MeridianLink Opening is the end-to-end web-based account opening and funding transaction solution that customers and members love and institutions trust.

About MeridianLink

MeridianLink connects all sizes of financial institutions and fintech companies to better technology, better service, better people and better solutions. MeridianLink transforms operating environments by solving complex problems with powerful yet practical solutions. The company's suite of products and services help maximize performance in key industry segments, such as direct, indirect and mortgage loan origination; deposit account opening; digital lending; credit reporting, data access and verification; business consulting; analytics, collections and scoring. Based in Costa Mesa, Calif., MeridianLink is passionate about democratizing financial services technology and data.

14. Vendor Partner Expectations:

Technology integrations typically involve multiple vendors having to interact. This can involve your LOS and deposit account opening platform provider and another vendor, or it could involve you and that vendor. Regardless of lines of communication, it is important that your platform provider gives you most flexibility in terms of working together with other vendors.

Ideally, integration points will already be established and processes will be in place to install previously developed integrations to fit your needs. In those cases, a healthy partnership will have already have been established. References can then be provided to demonstrate the length and depth of those relationships.

If a new integration is needed, having the flexibility to pursue it with support from your platform provider is critical.

15. Additional and Alternative Data for Fraud and Identity Verification

Additional and alternative data for fraud and identity verification: As we mentioned with income verification, fraud is a major concern. You must have tools to verify consumer identity. Your origination systems should support standard credit bureau fraud products such as EFX Identity Scan, TU Hawk, Experian FACS+ as well as OFAC and in-bureau fraud alerts.

However, being able to access other products and data sources like out-of-wallet identity verification questions for your online solution or connections to external fraud databases such as CBC-Innovis Cross-Check is a must. Make sure that you are covered and help your staff easily identify potentially fraudulent applications.