



# Loan Origination Automation and Its Impact on Operational Efficiency

A Single-Platform Strategy to Increase Efficiency, Manage Costs and Meet  
Regulatory Challenges

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Legislative reform triggered convergence and consolidation in the lending industry, making it increasingly difficult for banks, credit unions and other financial institutions to create sustainable revenue streams. With stakes this high, lenders must evaluate ways to refine their processes and mitigate regulatory compliance and operational risk. The tightening of credit has created a need to optimize lending operations and reduce cycle times to ensure the highest return on origination investments. A fully integrated, data-driven loan origination system (LOS) can help lenders save money while optimizing resources.

# Loan Origination Automation and Its Impact on Operational Efficiency

The LOS space has evolved in several key ways, due in large part to changing markets and an increasingly tight regulatory environment. Looking back as far as a decade, some astute financial institutions began to realize their loan origination systems were becoming outdated and were based on technology that was increasingly difficult to maintain. But the influx of new loans at the time suppressed system upgrade projects. As a result, the current technology landscape is rife with redundant, inefficient and incompatible systems that are increasingly costly to maintain. The long-term results of this uncoordinated growth were vertically segregated products and a business-line approach to managing borrowers.

Since lagging technology is a key cause of higher operational costs and organizational inefficiency, modernizing lending operations is now top of mind for many financial institutions. Lenders are looking for more innovative technology to support these efforts. Many are evaluating a single-platform strategy to enable a holistic view of borrowers across all channels and help manage future regulatory and compliance initiatives. Lenders that can successfully navigate this approach will ultimately gain efficiencies, while offering a better experience for the borrower.

### **Disparate Lending Platforms Deliver Operational Inefficiencies**

For lenders using numerous LOS platforms to manage various loan products, the challenges associated with aging and inefficient technology are only multiplied. IT budgets are quickly consumed on maintenance and compliance initiatives, with little left over for new

products, services and capabilities. Supporting, upgrading and/or integrating multiple platforms hurts the organization in terms of operational redundancy and inefficient use of staff resources, which ultimately jeopardizes customer and member relationships. Since each platform is unique, there is virtually no standard process or best practices, severely limiting the ability to have a collaborative lending strategy on an enterprise scale.

Lenders that utilize different loan origination systems to support mortgages, business loans and consumer loans cannot help but find operational inefficiencies lurking around every corner. Multiple platforms inhibit enterprise-wide views of loan accounts and transaction data. As a result, cross-sell opportunities are missed, communication both internally and with the borrower is ineffective, and retrieval and verification of data is inconsistent. Directing data and information integrity throughout the organization can be problematic, making the validation and certification of customer data exponentially more challenging.

A multiple-platform approach triggers inconsistent decisioning, which lengthens the time to close a loan and impacts profitability. It also affects the borrower more directly, as inefficient processing dashes customer expectations for “right now” loan options, approvals and documentation.

Developing, enhancing and maintaining efficient organizational processes can be severely challenging for organizations. The reporting and monitoring of operational metrics for multiple lending platforms is labor intensive

and cost prohibitive. The effort required to promote best-practice processes across verticals can divert attention away from more beneficial duties, such as fine tuning day-to-day performance to promote company growth, increased profitability and future expansion.

### **Three Unique Perspectives on Operational Efficiency**

Lending organizations must evaluate a loan origination system in terms of borrower expectations, staff resources and IT/hardware costs.

#### **The Borrower Perspective**

In discussions about growing an organization's loan portfolio, lenders must first and foremost recognize the expectations of the borrower.

Consider the scenario in which a borrower has a mortgage loan and a boat loan with the financial institution. If the two loans were processed on two separate platforms, account data would be stored in two places, which makes data viewing—and data sharing—difficult, if not impossible. If the borrower now needs to finance inventory for his or her small business, the lender may support that loan on yet another platform. This results in repetitive data entry, increases the possibility for errors and hinders timely credit decisions because there is not one true snapshot of the borrower's total relationship with the financial institution.

Compare that to a lender that handles all processing for the borrower's three loans on a single platform. When the borrower requests another loan, virtually all pertinent financial information is available to the lender through a search capability, which eliminates data integrity issues and simplifies the process for both the borrower and the lender. Having a holistic snapshot of the borrower's entire portfolio helps the lender make the most prudent—and potentially most profitable—product offers.

#### **The Lender Perspective**

Operational efficiency is directly tied to how internal staff is able to utilize technology resources. For lenders using several LOS platforms, there is no common look and feel between systems. Staff members must create work-arounds or use manual processes to manage all accounts, and production personnel must be trained on multiple systems, which can impact origination volume.

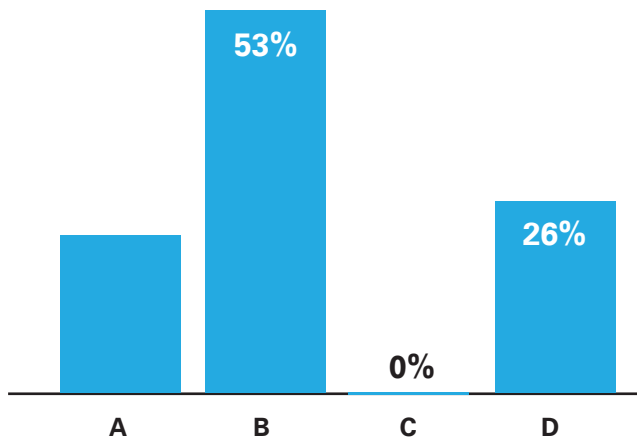
When multiple loan products are processed on a single LOS, staff is trained once and empowered to work efficiently between lending verticals. Processes and procedures are standardized across channels, departments and product lines with the requisite controls and history tracking to safely implement changes. Managers can establish security and processes according to the needs of their departments and deploy capabilities and functions according to user roles and responsibilities.

#### **The Technology Perspective**

Technology that separates loans into distinct functional silos can be a barrier to driving down operational, implementation and support costs. With multiple platforms, each potentially running on a different operating system and database, managing the enterprise lending operation is much more complex. IT resources must be staffed to support different hardware platforms and their operating system applications, including testing and maintaining compliance updates, regulatory changes and ongoing integration. In addition, training and processing efficiencies are adversely affected.

With the fierce competition in today's lending markets, having a more efficient software deployment strategy can mean the difference between growing a portfolio and just surviving. Operating on one platform allows the lender to use the same set of tools to establish security protocols and create rules to ensure process consistency across the enterprise. The same processes are applied to all loans, so when compliance initiatives require updates and verification, it is a one-time process. IT staff supports one platform, one operating system and one database. The seamless transfer of account information assures accurate data throughout the origination process, regardless of loan type.

## Consumer Indebtedness and the Future of Consumer Lending



How prepared for the future do financial institutions think they are? Some organizations are focused on new technology, others on staffing, product strategy or channel delivery.

### The Compliance Challenge

Supporting today's seemingly endless list of regulatory mandates is one of the greatest challenges facing lenders. Each individual regulation brings its own unique set of challenges that must be addressed and managed. Maintaining compliance in order to reduce risk exposure can impact every facet of the lending organization, including bottom-line profits, customer service and corporate reputation.

If an organization's lending operations span disparate LOS platforms, the challenges can be exponentially greater. Each system requires updates to remain compliant with institutional, investor, government and agency mandates. The effort put forth to implement all necessary regulatory changes across multiple lending verticals involves a significant duplication of effort – increasing the potential of non-compliance due to human error, cost and staffing overruns, and operational inefficiencies. Maintaining transparency while driving IT initiatives across verticals can further challenge the organization.

The overriding issue is that too many organizations continue to tackle many initiatives in silos, including those related to compliance. Holistic, integrated strategies are often passed over in favor of one-off, regulation-specific projects that do not account for the significant overlap

Polling Question: "How well prepared is your financial institution of the future, given lending industry trends?"

- A. We've got the people, processes, technology and product strategy ready – borrows will flock to us.
- B. We've got the product strategy and staff, but need to enhance the technology to make all the channels hum.
- C. We have the technology, but need to develop staff and/or product strategy.
- D. We need to work on product strategy, staffing and channel delivery.

Source: Fiserv, in cooperation with Consumer Bankers Association, November 2014.

across multiple product lines and the technologies deployed to support them. The reporting and monitoring of organizational compliance metrics for multiple platforms is also labor intensive and cost prohibitive.

The current fragmented approach is not sustainable in the long run. A more effective approach clearly calls for a paradigm shift across the entire organization. For one thing, borrowers have high expectations for receiving loan options, approvals and documentation in minutes as opposed to days. Having a single LOS helps ensure the latest regulatory or compliance changes have been completed, saving valuable time during the origination process. With enterprise-wide changes applied in a single LOS, there is a single data source for providing information required by regulators, eliminating the need to spend days or weeks cobbling together reports.

### Single-Platform Functionality and Efficiency Provide A Competitive Edge

Single-platform automation plays a key role in demonstrating organizational control over many lending activities in addition to compliance best practices and procedures. There is no question technology advances such as multivertical origination software have enabled financial institutions to implement borrower-centric business models. Lenders need to be nimble when it comes to product and process, but it does not stop there.

Forward-thinking organizations are rising above a typical “bare-minimum” approach to automation and analysis of loan information in order to uncover process improvements as well as other opportunities to increase efficiencies. Many organizations are also realizing that in addition to the benefits of adopting more effective regulatory policies and procedures, implementing standardized, streamlined processes has opened up new avenues for cost management.

Financial institutions also need to add a new word to their lexicon: transparency. This term has become foundational to how the loan operation relates to regulators, borrowers and other departments within the institution. Transparency is not only being able to provide insight into origination processes and practices, but it also means being able to pass along transactional data to those who request it – when and how they request it.

Critical decisions are often based on data provided in key operational and executive reports. In most organizations, reporting is provided from many sources. Adopting a more holistic approach to reporting will identify potential inconsistencies in data across all lending verticals. The rules-based architecture that now forms the foundation for origination processing provides strong data validation and increases the overall quality of the loan files as they move from origination into underwriting, closing and funding.

### **Process Automation in a Dynamic Lending Environment**

Without a more strategic and integrated approach to loan origination, an organization is not only perpetuating the rising cost of lending, but may be missing out on the benefits derived from single-platform business process improvements, automation or potential functional centralization.

In addition to regulatory considerations, aging components and a mixed bag of interfaces jeopardize the entire lending infrastructure. Both the risk of failure and the cost to maintain the status quo escalate rapidly. Cost and risk pressures have prevented some institutions from installing upgrades that are critical to their business.

The future of origination technology resides with multifunction, multivertical platforms. LOS solutions that support mortgage, equity, business and secured and unsecured consumer loans, such as LoanLaunch™ from Fiserv, can help keep operations nimble by providing a rules engine and other controls to empower lenders with real-time awareness of loan transactions across the enterprise.

Single-platform environments also offer process improvements and greater levels of automation that enable financial institutions to originate and close more loans more efficiently. Being able to respond more rapidly to changes in the industry and its own business strategies gives a financial institution much greater control over its specific processes and opens up new avenues for both cost management and revenue generation. In a dynamic credit environment, lenders that focus on a single-platform strategy will be well positioned for future success.

### **Connect With Us**

For more information about loan origination solutions from Fiserv, call 800-872-7882, email [getsolutions@fiserv.com](mailto:getsolutions@fiserv.com), or visit [www.fiserv.com](http://www.fiserv.com).

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