

The Benefits of Lending Process Transformation

Transforming and automating the end-to-end loan origination process is enabling lenders and other originators to offer new levels of customer service and faster credit decisioning, while at the same time giving them the flexibility to adapt their lending offerings in a fast-moving and competitive market. This in turn is offering access to new technological opportunities, including direct retail and broker origination and self-service processing across the web.

Here are some justifications to consider:

1. Do we have to do it now?

Putting it off won't make it any easier, less expensive or less risky. Costs are always increasing and the opportunity advantages of moving quickly can be very significant – especially if all of your competitors are less able to move quickly.

2. Drive down cost:

According to the Fujitsu/ JP Morgan Australia Mortgage Industry Report (Volume 3), the average cost of originating a mortgage in Australia today is around \$1200. Lenders with transformed origination processing are already getting this down to around \$600 with additional improvement still on the horizon. So, if you're originating, say, 20,000 mortgages per year this saving could potentially drop \$12m per year more from the bottom line.

3. Grow revenue and market share:

How much new business are you capturing from competitors in this relatively small and closed Australian market? Consumer and broker reviews have consistently reported the following major buying criteria when selecting a mortgage product and lender:

- Fast approval decisions: This relates to new customers wanting a full new mortgage with unconditional approval - or even a fast rejection decision - right now, and regardless of the channel they came in through.

This ability to capture additional business through fast and efficient credit-decisioning can add up to a significant business benefit. While the general rule of thumb is a 2:1 increase in revenue for every dollar saved, we've seen examples where this ratio has been as high as four dollars of revenue uplift for every dollar of cost saved by the lender.

- Simple, hassle-free processing – done right the first time, with customer information re-used where it's already available (from the banking system or data already captured in previous processing steps).
- No errors; predictable and reliable settlements.

4. Improved Service

Brokers, for example, are always complaining, often with some justification, that the lender's branches and internal channels get preferential loan processing service. What if you could offer them direct access to exactly the same online decisioning, assessment and loan processing systems and processes the branches use for business they originate?

5. Compliance:

A well transformed and automated system will control and record user accesses and overrides, manage all lending processing within a controlled and gated workflow process and provide detailed and auditable data on all cases entered into the system, showing exactly who did what at every step of the process.

Sooner or later we have to reform our processes and systems, so the question is "when" rather than "if" this needs to be done.