

Reducing your Origination Costs by Transforming Your Lending Processes

Before going ahead and transforming your lending program, you will need to establish how best to structure your transformation program so as to keep your loan origination costs to a minimum.

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.

We will now examine how you can reduce your costs from the five components of the loan origination process – Application Capture, Assessment, Fulfilment, Settlement and Post-Settlement.

1. Application Capture:

Eliminating process differences between channels reduces costs and improves staff resource flexibility. The goal is to implement a single, consistent process for originating all types of lending across all distribution channels. To eliminate or at least minimise rework all information must be captured only once, validated on capture and reused throughout the origination process. The single, automated process should fully service your existing customers through their internet banking facilities, or through telephone banking wherever possible to minimise manual processing. Broker origination should be automated through electronic submission of applications via a LIXI interface. New applicants should be encouraged to submit applications via the internet or the telephone where possible, otherwise through traditional branch and mobile lender channels.

2. Assessment:

Well thought out rules for application capture and credit scoring will lead to higher levels of straight through processing of loans. This can be achieved by automating your spreadsheets and calculators, automating your communication through interfaces with external providers such as Veda, land title agencies and insurers and controlling your valuation expense through a Valuation Decision Manager and a Valuation Management System.

Additionally, verifications and validations in the application capture component will ensure that the automated credit decisioning service will have all the information and access to evidentiary documents required for approval or referral to assessors for manual assessment.

3. Fulfilment:

By ensuring the complete and accurate capturing of all source information and using a document generation engine to automate the generation of all loan documents, you will avoid errors and rework and will be able to distribute packs electronically. Additionally, automation of ancillary products improves customer service, reduces rework and reduces the unit cost of each ancillary product.

4. Settlement:

The entire settlements process could soon be automated to remove costly manual components along the way – from the current high volumes of phone calls right through to the physical attendance required in the cases of property settlement and document lodgement. All participants in the Settlements process could be provided with online access to complete settlement transaction information. Participants can interact electronically with each other via online settlement bookings and document sharing facilities.

5. Post-settlement:

Costs incurred during post settlement activities such as compliance, registration of documents, filing and archiving can all be controlled through automated dynamic checklists.