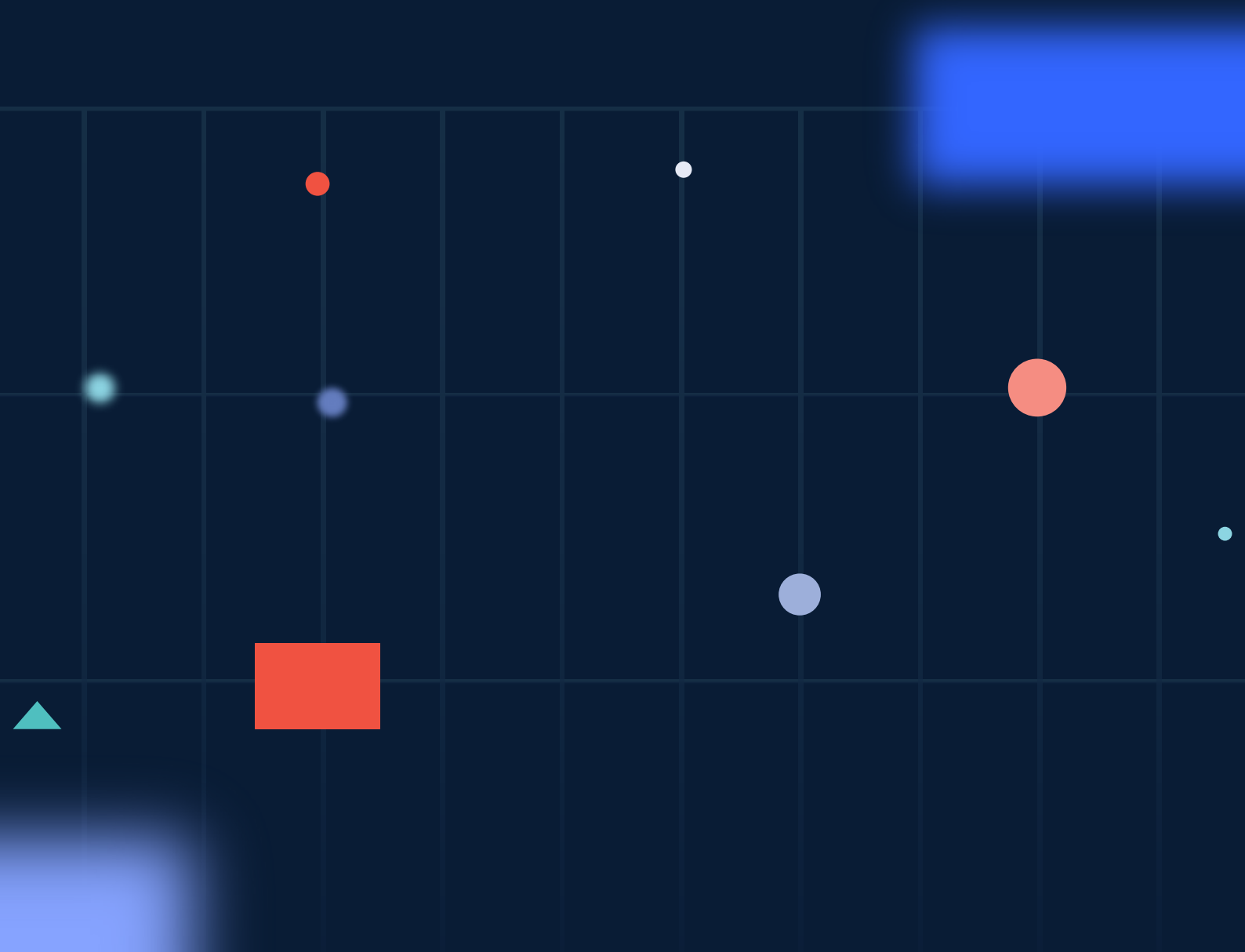


Backbase

How to digitize lending: 4 tips for modernizing your loan origination journeys



Moving beyond the status quo of lending

Borrowing money is linked to the biggest events of our lives — everything from the honeymoon of your dreams to opening a small business. This makes it **one of the most important customer journeys out there.**

But actually getting a loan is often a frustrating experience. **Lending is one of the least digitized services in banking** and usually involves a tedious application experience, as well as a lengthy wait time. This is mainly due to the inherent credit risk involved, which typically requires review by multiple departments, as well as multiple steps and complex workflows.

And the financial institutions that update their lending customer experience? In many cases, they simply **retain the cumbersome steps and requirements** from their past, ensuring the new journeys are nothing but a digital version of the same old story.¹ But customers aren't buying it anymore, after being spoiled by the instant gratification of embedded players like Klarna or Afterpay. They deserve better, and they know it.

Creating a streamlined, automated digital lending process

With all the potential pitfalls out there, it's easy to understand why loan origination has yet to undergo a digital "revolution" like other processes such as account opening.

But make no mistake, **an end-to-end, streamlined, automated digital lending process is more than just achievable — it's the way of the future.** And your customers want it sooner, rather than later, or they'll vote with their feet and head for the door. That's why it's critical to start modernizing your lending process, and in this guide, you'll find out how.

Here's our recommended approach for success:

1. Upgrade your front-end loan application process
2. Overhaul your employee workflows
3. Progressively digitize your end-to-end journeys
4. Automate with trusted fintech partners

¹ The Financial Brand, ["How Banks Are Arming to Win the Digital Lending War With Fintechs,"](#) September 2021.

1.

Upgrade your front-end loan application process

Essential KPI: application submission time



It's no secret: a poor user experience inevitably leads to high abandonment rates.

People tend to drop off when they're faced with long applications, redundant data entries, and manual document submission — and understandably so. That's why **your digitization journey needs to start with updating the user experience**. And your main goal? Reducing the time it takes your customers to submit an application.

But don't forget that the loan application is the key moment for collecting the information your teams will need to process the loan. It's all about **achieving the right balance of speed and comprehensiveness**. But how do you get there?

Here's our tips for creating a loan application experience you can be proud of:

1.1

Make the experience smooth and transparent

1.2







Automate your data collection

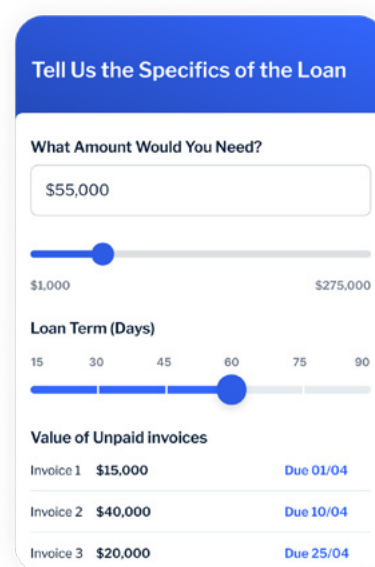
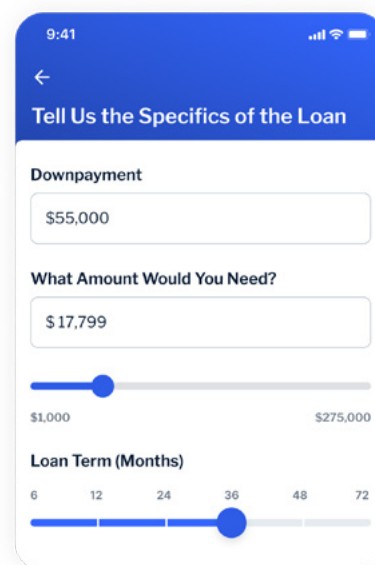
1.1

Make the experience smooth and transparent

A loan application might require a lot of information. In order to minimize dropoff, you'll need to focus on building an experience that's easy to complete and even easier to understand.

Here's a few things to consider during your upgrade:

- 
Break the process down into a series of small screens, rather than a long, scary form.
- 
Use a progress bar to communicate the applicant's status, as well as intermediary screens that explain what's next.
- 
Give users the ability to save their progress and resume at a later date — or even on another device.
- 
Pre-qualify applicants early in the process to drive conversions and limit the number of unqualified candidates.
- 
Digitize as many "last mile" steps as you can. Adding an eSignature process, for example, is essential to speed up submissions and approvals.
- 
Offer access to a customer representative who can provide help and advice. After all, asking for a loan is an important financial decision, and the best banks offer direct contact with an advisor via chat, messaging, or even video calls — all available within the application journey.



1.2

Automate your data collection

Data collection is a key part of the loan application process. You'll need to get access to your customers' personal details and documents, which is usually a tedious task for them. But if you can **make the process simple and user-friendly** — as well as scalable — you'll greatly increase their engagement. And you'll make your employees' lives easier too by **decreasing their manual workload and improving their conversion rates**.

Here's a few tips for smoothing out your data collection process:

- **Avoid redundant data entries** by only asking for information you don't already have in your system.
- **Use real-time data validation and drop-down lists** to avoid mistakes and inaccuracies.
- **Build a process for digital document submission**, which will prevent customers from having to visit a branch or send paperwork through the mail.
- **Create a system of connections to payroll providers and accounting systems** that allow you to retrieve the necessary data. Most of these providers offer APIs that will help.
- **Digitize your KYC processes**. There's a lot of solutions out there to verify authenticity and identity in a fast, convenient, interactive digital session.

Some financial innovators are already doing this, allowing them to offer fast, convenient experiences that rival those of any digital challenger. For example, after creating a digital lending platform, BKS Bank was able to achieve a 75% reduction in the time it takes to submit an application. Their **new vehicle loan process takes only five minutes — and a mere 20 clicks**.²



Tip:

Your main KPI here is the time it takes to submit an application. Digital challengers have set a standard of roughly 15 minutes, and that's what you need to aim for. Try benchmarking your competitors to see how you measure up, which will allow you to set goals and make gradual improvements over time.

BKS Bank

Customer story

[Get your copy](#) of the BKS customer story to find out more

² Backbase, "[How BKS Bank created a fully digitized self-service loan application platform](#)," 2023.

2.

Overhaul your employee workflows

Essential KPI: number of loans originated per employee, time to disbursement



But remember that having a smooth, fast application means nothing if it takes weeks — or months — to process.





In the end, that may even have a worse impact on customer satisfaction than a tedious lending process. They'll wonder why one part of the process was so excellent, while another dragged on and on. And you can bet they'll think twice before they apply for a loan with you again.

Traditional banks often take 5-7 business days to process a personal loan, and for business loans, it can take twice as long or even longer. Meanwhile, **digital lenders are processing similar loans in hours, if not minutes.** And that's some stiff competition.

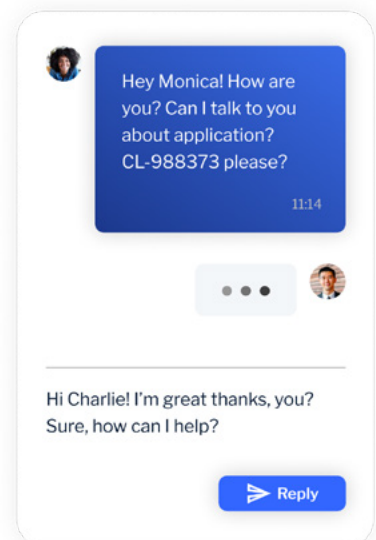
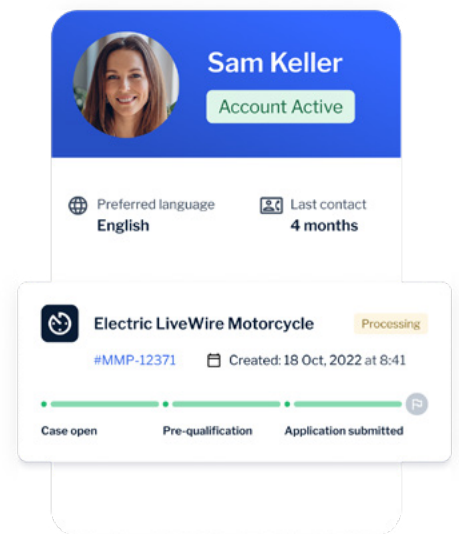
So, when you're upgrading your loan application experience, **don't forget about your employee journeys!** You'll need to keep your middle- and back-office staff top of mind, because the data they collect is crucial to assess credit risk. That's why the process must also prioritize their needs so they can do their job to the best of their ability. If you can **empower them to make faster, smarter loan origination decisions** — while also streamlining the application process itself — you'll be able to significantly reduce your processing time. That means significantly less risk and cost, but you'll also save a ton of valuable work time.

Did you know that **30-40% of the typical loan origination effort is spent on non-core and automatable tasks?**³ That’s a shocking number, especially when their time could be better spent elsewhere, particularly with complex or otherwise important applications. Your goal is to use tech to minimize this number, allowing you to increase efficiency, minimize human error, and boost ROI, due to a higher number of processed loans.

Here’s a few ideas to improve your employee productivity:

-  **Give your employees a 360° view** of the customer’s history at a glance.
-  **Replace paper-based, time-consuming processes** with automated workflows that include digitized financial document import, income verification, financial spreading, etc.
-  **Enable interdepartmental collaboration** on a single case by ensuring you’re building a single employee platform for approvals, tasks, and more.
-  **Connect your internal processes to the application system** so applicants always know the status of their request.

Of course, lending will always require a human touch, particularly for customers who prefer that level of service. But don’t discount the fact that you will significantly improve your employee journeys with the power of digitization, allowing them to focus on the deals that really matter. And that will have a huge impact on your bottom line.



³ Deloitte, [“Commercial lending digital transformation.”](#)



3.

Progressively digitize your end-to-end journeys

Essential KPI: the number of loans you're able to close via straight-through processing

Big bang system replacements get all the attention, but that doesn't mean they're the best approach for you.

According to McKinsey & Company, **only 16% of digital transformations achieve their targets**, in terms of improving performance and equipping the organization to sustain improvements over time.⁴ Or, to put it another way, big-bang transformations almost never work and are best avoided. They're flashy and interesting for investors, but there's clearly a better way.

16%

of digital transformations achieve their targets

McKinsey & Company

Instead, you'll need to **conduct a progressive digitization**, one that keeps the customer journey in mind.

Here's the best way to pull this off:

3.1

Start from the customer journey, not the system

3.2

Start small, but develop a long-term vision

3.3

Make reusable and scalable tech choices

3.4

Appoint a single change agent

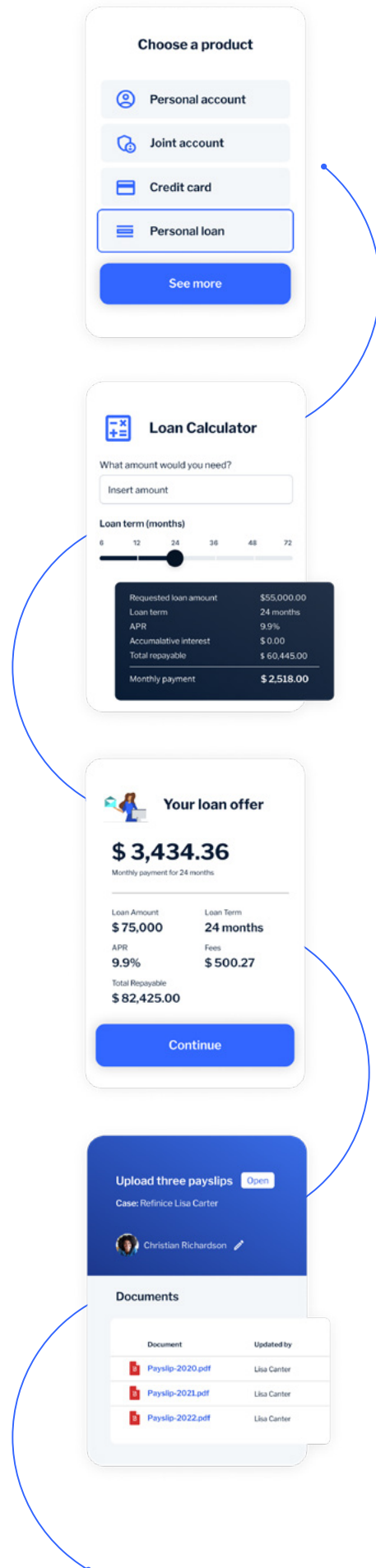
⁴ McKinsey & Company, ["Unlocking success in digital transformations,"](#) October 2016

3.1

Start from the customer journey, not the system

Many financial institutions **start building new capabilities without understanding how they can better support customer journeys** — a critical mistake that wastes time and resources. One of the most common errors is to replace the core lending systems and processes first. After years of work and millions spent, these banks and credit unions often realize they've solved a problem that has no tangible impact on the customer — while often creating further problems down the line.

In reality, **the only way to create a seamless mesh between front, middle, and back-office processes is to digitize the customer journey chain, end to end.** This allows data to be instantaneously shared with the teams in charge of processing, underwriting, and closing deals. By combining this approach with a focus on the front end, banks can achieve results much faster and more efficiently.



3.2

Start small, but develop a long-term vision

By this point, you're probably well aware that digitizing lending is a complex process. That's why you have to **do things progressively, journey by journey**. And the best place to start is with the "low-hanging fruit," or the relatively simple products such as credit cards and personal loans.

For example, one European bank opened its swim lane for fewer than 15% of applications, primarily the less complex ones.⁵ And later on, they gradually increased the flow, allowing them to focus on the more complex or sensitive deals.

But it's **critical to have a long-term vision**. Without that, you might just make things worse. Many financial institutions digitize products one by one, and because they do things this way, they create a terrible customer experience, as well as a complex tech stack they're now obligated to maintain. Due to the high number of stakeholders — and the consequent use of point solutions, these banks paint themselves into a corner, and they're helpless to get out.

Imagine it from the customer's point of view. They've just applied — and been approved — for a new car. The process was smooth and transparent, so much so that their trust in you has increased. Now this same customer wants to apply for a credit card, but when they start, they have to upload the same documents and information once again. **Unintentionally, you've shown them that the good experience was nothing but a fluke**, and they may not even bother with the application. And on top of that, your **employee productivity conversion rates will suffer** because of the time needed to reupload and review the documents again, leading to a lose-lose situation all around.

**Tip:**

The key is to start small and fix what you already have. Choose a relatively simple product and automate that. As the engine proves itself, you'll create a solid foundation to start tackling more complex projects. But take things slow

⁵ McKinsey & Company, ["The lending revolution: How digital credit is changing banks from the inside,"](#) August 2018

3.3

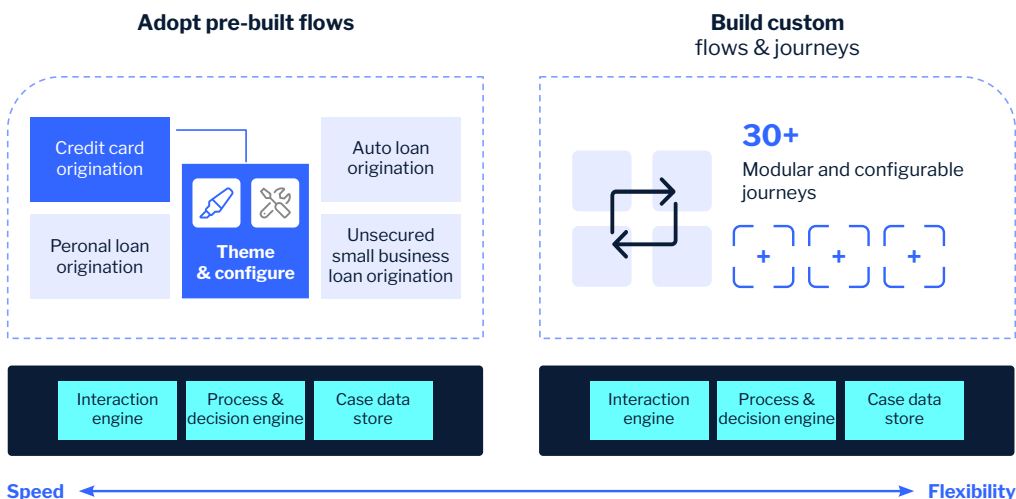
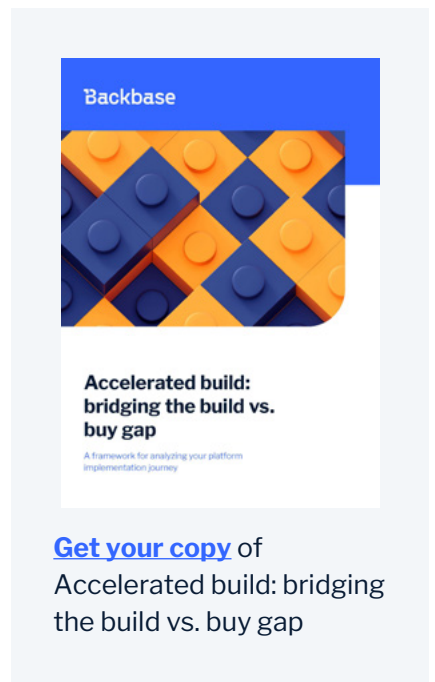
Make reusable and scalable tech choices

To combat this and give your customers a consistent experience, you'll need to develop a long-term vision for digitizing your entire portfolio of digital lending products. You can pull this off by **choosing a platform that offers scalability and reusability**, unifying your disparate systems and tools so your customers get a consistent and seamless experience. This is a crucial step, but that doesn't mean you should waste time and resources reinventing the wheel.

Building everything from scratch is neither your strength nor the best option. Instead, **work with a trusted strategic partner to create a scalable solution** with building blocks that can be configured and reused across all products and segments. Here's how it works:

- Start by leveraging out-of-the-box assets
- Next, extend the journeys
- Finally, customize things for market differentiation

By doing so, you'll save time, money, and effort, all while minimizing risk. We call this **accelerated build**, and it's your key to making the biggest impact in the least amount of time.



3.4

Appoint a single change agent

Financial institutions rarely have a single “owner” of the credit process, someone who has the discretion to drive change at scale.⁶ And that’s holding them back. That’s why, in order to successfully digitize your lending journeys, you’ll need to **appoint a single “change agent”** who can take full charge of the process.

It’s difficult to maintain continuous alignment with a high number of stakeholders, especially over a prolonged period, and making decisions as a committee only creates further confusion. But if you can find a single person to take control, you’ll remain agile as the project evolves. This change agent will lead the charge as the project’s visionary and its strongest advocate, helping you get across the finish line while avoiding major hurdles.

Take care to select someone who is **collaborative, forward-thinking, and determined**, as they’ll need to get buy-in from the highest levels of your institution and maintain alignment on a day-to-day basis. It’s a difficult job, but one that’s essential to success in digital transformation.



Tip:

To learn more about best practices for working with fintechs — and the benefits of collaborating with them — check out [this keynote](#) from Backbase ENGAGE 2022.

⁶ McKinsey & Company, [“The lending revolution: How digital credit is changing banks from the inside.”](#) August 2018

4.

Automate with trusted fintech partners

Essential KPI: volume of data exchange between partner applications



Next, you'll need to continue leveraging the help of a trusted digital lending fintech partner.

They'll help you automate and get ever closer to that elusive holy grail — **straight-through processing (STP)**.

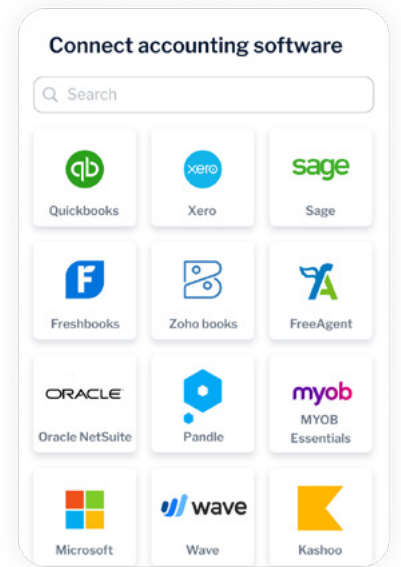
Eventually, you'll create a fully automated process that can:

- **Assess risk**
- **Approve or deny a loan**
- **And disperse funds**, all without manual intervention.

This will save you an enormous amount of time and money when it comes to simple, easily approved loans, which take up the bulk of your team's time. But don't try to get too fancy right off the bat. **Many lenders fail because they can't properly assess and manage credit risk**, which needs to be your baseline before you work on innovation and differentiation. That's why you have to learn to walk before you run, tempting as it may be.

Thankfully, your fintech partners have been “running” for years, and they’re more than prepared to help you on your journey. They’ll be able to **integrate directly with your systems, allowing you to make incremental improvements, fast.** For example, by helping you manage credit risk, they can allow you to deny loans that might not perform, increasing your profitability and saving you time and money.

Working with fintechs is great, but **make sure you don’t create an integration nightmare.** It can be difficult to combine modern technology with your legacy systems. And after the initial integration, you still have to consider the constant updates and upgrades, as well as security and compliance. Unfortunately, large enterprise banks aren’t always well equipped to work with small, relatively immature startups. That’s why you need to **choose a partner that offers and maintains pre-integrations to the latest fintechs.** That will prevent unnecessary integration headaches that could slow — or even halt — your digital transformation.



That’s why you need to choose a partner that offers and maintains pre-integrations to the **latest fintechs.**

The benefits of a streamlined, automated digital lending process

Granted, modernizing your loan origination journey is a massive undertaking. But the benefits are simply too good to ignore — as are the consequences of maintaining a more comfortable status quo.

Customers flock to seamless, enjoyable journeys that prioritize their needs, but such experiences are, regrettably, still difficult to find in the digital lending sphere. That will make you a hot commodity. With your new digital lending process, you'll be able to:

- **Cut servicing and maintenance costs**
- **Increase revenue and conversion rates**
- **Boost opportunities for up-sell and cross-sell**

And with a solid tech foundation, you'll be able to **propose new digital lending products that will help you stand out from the competition** and create life-long brand advocates. It takes some effort, sure, but it's an extremely achievable goal.

On the employee side, you'll **make it easier for your loan officers to monitor, update, and review the loan book**. For example, they'll be able to automate reminders to re-submit documents, re-verify employment, and update credit scores on a regular, recurring basis. This will streamline and improve their work, **empowering them to sell more loans — faster and smarter**.

You'll also **significantly boost efficiency and employee engagement while reducing risk**. In fact, after WeBank instituted an all-digital lending experience that prioritized the performance of the bank's back-office teams, its nonperforming loan ratio dropped to 1.2%, compared to the industry's average of 5-6%.⁷ And your bank can do the same.

**Tip:**

If you want to pull off the ideal customer and employee lending journeys, you'll need to use a platform. But thankfully, you won't have to throw out the investments you've already made! The right platform provider can integrate directly with your systems, allowing you to get to market fast while minimizing cost and risk.

⁷ Gartner, "[Case Study: Automated, Technology-Driven SMB Credit Lending \(WeBank\)](#)," 2021

More of a visual person?

Here's a look at the old ways of doing things so you can better understand what you stand to gain from a modernized loan origination system.



Creating a smarter, faster digital lending experience

At the end of the day, **a financial institution's job is to be there for their customers' or members' big life moments**, and that's especially true when it comes to lending. No applicant wants to feel as if their bank is holding them back from achieving their dreams. And if they do? Then they won't be with you for long. On the other hand, **your employees need better tools so they can do their job** without the mundane, repetitive tasks they've become accustomed to. But as we've seen, catering to customers and employees alike is no easy feat.

Enter Backbase. Our **Digital Lending** flows and journeys can help you deliver the **fast, frictionless experiences your users demand — all while lowering costs and even driving conversions and revenue**. You'll be able to create hassle-free digital loan applications that earn your customers' trust by collecting, validating, and analyzing data in real time. Through it all, they'll know exactly where they are in the process, and they'll thank you for it.

And on the employee side, you'll **trade paper-based, intensive processes for a digital lending platform with automated workflows** that include:

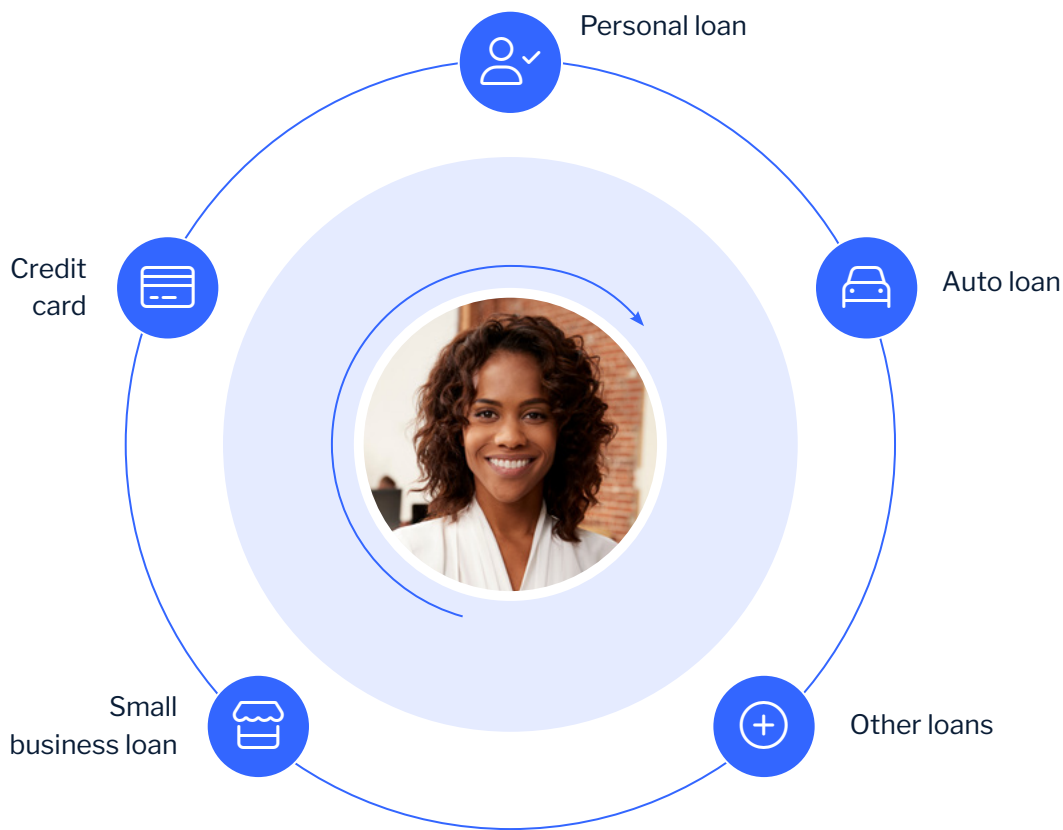
- **Digitized financial import**
- **Income verification**
- **Financial spreading**

This will help you unburden your employees, speeding up turnaround while minimizing risk and errors.

**Tip:**

Want a peek at how smooth your lending journeys could be? Here's a [short demo](#) that shows an applicant securing a car loan in under three minutes.

By working with us, you'll start small and scale to deliver seamless, consistent loan origination experiences across every customer and employee journey. It's all possible with the [Backbase Engagement Banking Platform](#), which **supports your digital transformation across any channel and product — from credit cards to small business loans and everything in between.** We're also partnered with the world's best fintech solution providers, making it easy for you to instantly revolutionize your customer experience. And you can even customize to create an experience that sets you apart. No one-size-fits-all, cookie-cutter solutions here!



It's critical that you modernize your origination processes sooner, rather than later, so let's get started. **Together, we'll create a better lending experience for your customers while helping you drive revenue.** And that's what we call a win-win situation.

[Schedule a chat](#)

About Backbase

Backbase is on a mission to re-architect banking around the customer.

We created the Backbase Engagement Banking Platform — a unified platform with the customer at the center, helping banks orchestrate seamless journeys across every stage of the customer lifecycle.

We make it simple for banks to orchestrate seamless customer journeys, all on a unified platform. From customer onboarding, to customer servicing, customer loyalty and loan origination, we help financial institutions surpass customers' expectations in every phase of the customer lifecycle. Built from the ground up with the customer at the heart, our Engagement Banking Platform easily plugs into existing core banking systems and comes pre-integrated with the latest fintechs so financial institutions can innovate at scale.

Industry analysts Forrester, Gartner, Celent, Omdia, and IDC continuously recognize Backbase's category leadership position. Over 150 financials around the world have embraced the Backbase Engagement Banking Platform - including Advanzia, Banco Caja Social, Banco de la Nación Perú, Bank of the Philippine Islands, Citizens Bank, ENT Credit Union, Greater Bank, HDFC, Judo Bank, KeyBank, National Bank of Bahrain, Navy Federal Credit Union, Natwest, Raiffeisen, SchoolsFirst Federal Credit Union, Standard Bank, Société Générale, TPBank, Washington State Employee Credit Union and Wildfire Credit Union.

Backbase is a privately owned fintech company, founded in 2003 in Amsterdam (global HQ), with regional offices in Atlanta (Americas HQ), New York, Boise, Mexico City, Toronto, London, Cardiff, Dubai, Kraków, Singapore, and Sydney.

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