

# Backbase

## **The future of loan origination:** a C-suite's playbook for embracing digital lending



# Saying “no” to the status quo

Stop us if you've heard this one before.

There's this bank, and their loan book is doing pretty well, even despite their manual, paper-based processes. No one talks about changing things up, or if they do, the project is cast aside in favor of another urgent priority. So when things like embedded finance and Buy Now, Pay Later hit the market, they're left reeling — and now, they realize they may have missed the boat.

Sound familiar? More likely than not, your Head of Lending has been hounding you about this very topic. As a member of the C-suite, you've already got a lot on your plate, and maybe it's difficult to understand why your lending processes need an upgrade right now, as opposed to your other priorities.

But hear us out. In this guide, you'll learn more about where your Head of Lending is coming from — and how you can **seize this massive opportunity with minimal cost and risk.**



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# The digital lending opportunity

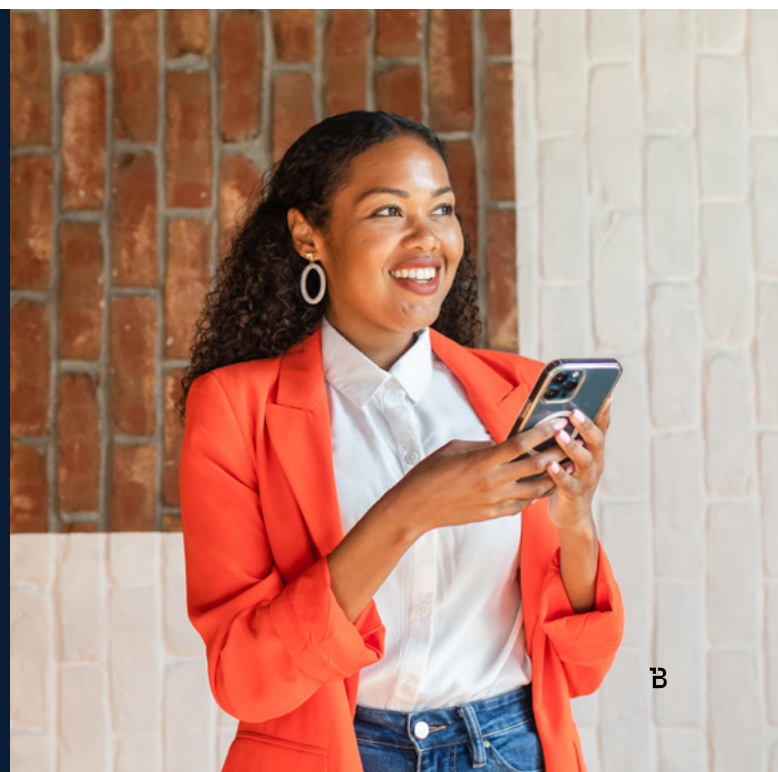
Make no mistake, the benefits of modernizing your lending journey are huge.

For one thing, a **streamlined, automated, end-to-end digital lending solution** will help you **boost revenue**, thanks to improved conversions and new opportunities for cross-sell and up-sell. But that's not all. You'll **reduce operational expenditure** by being more efficient in providing loans, and the availability of data and analytic tech will help you make **faster, more accurate decisions**. You can even **expand into new markets** by tapping into different customer segments and **launch new value propositions** that will future-proof your institution for years to come. And that will make a huge difference for your bottom line.

Also keep in mind the benefits to your customers and members. They'll enjoy **increased transparency** in the loan origination process, as well as a **faster turnaround time** and an **enhanced user journey**. You can even offer them **personalized recommendations**, allowing you to position yourself as a **one-stop shop for all their borrowing needs**. Over time, they'll come to rely on you at each and every financial milestone. More than a simple provider of conventional loan products, you'll have become a trusted financial advisor for years to come.

Wondering how to kick off your transformation?  
Check out our new blog:

[Digital lending: 4 tips for modernizing your loan origination journeys](#)





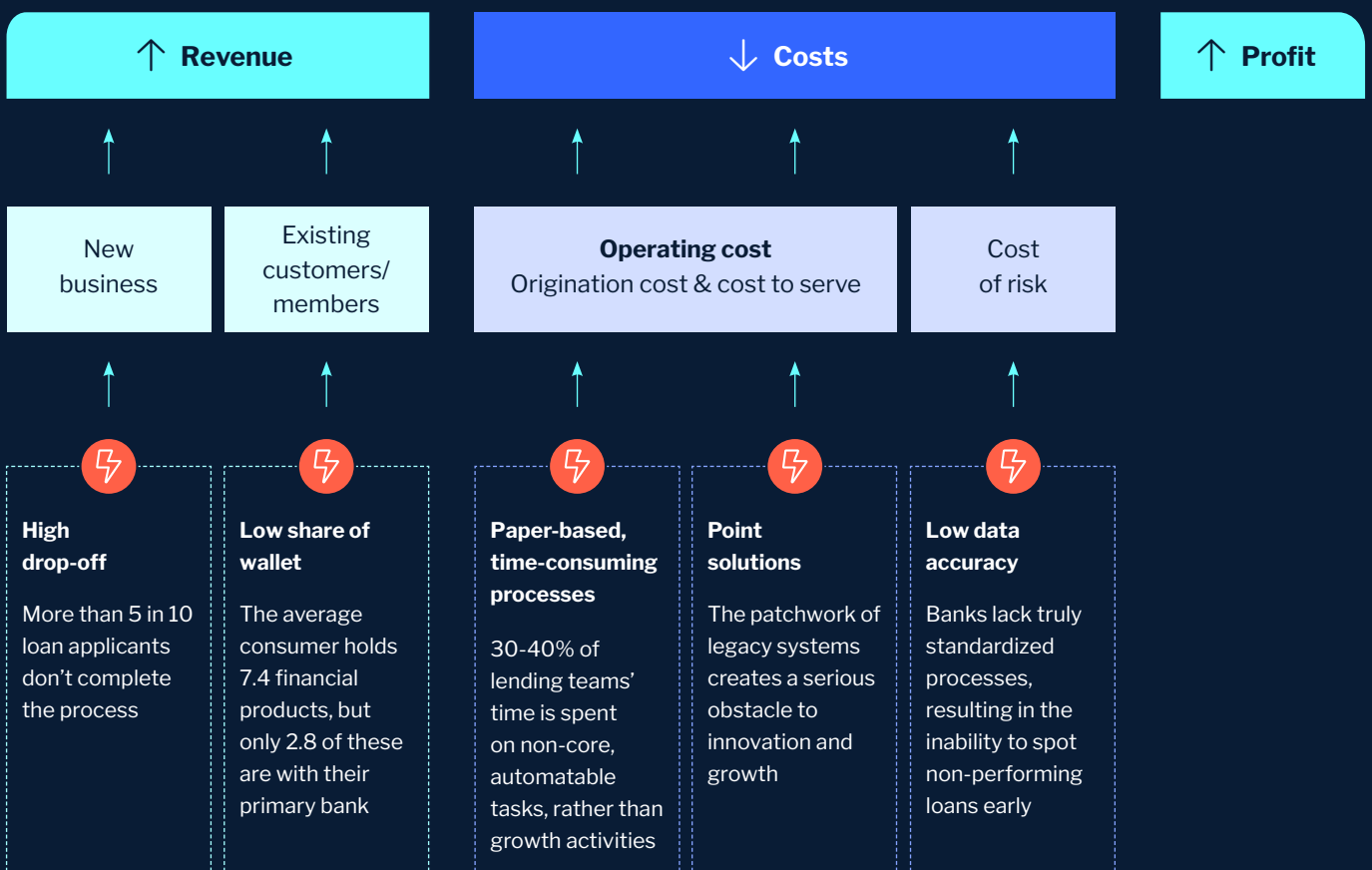
# Barriers to digital lending excellence

However, transforming your financial institution's lending journeys is, of course, easier said than done. For one thing, you'll have to **overcome the gaps in your lending tech** that cause poor user experiences. Due to **disparate interfaces and inefficient systems**, many customers are abandoning the application process, while employees struggle to deliver adequate service to the ones that don't.

You'll also need to **leverage automation and machine learning**, as manual processes significantly delay loan approvals — to say nothing of cash disbursement, which can take months. Unfortunately, despite recent advancements, **many bankers still**

**distrust automated decision making**, due to the potential level of risk. Unlike deposit products, lending inherently involves a credit risk, which is why humans have traditionally been involved in the decision-making process. Add to that a **limited access to data, scarce digital talent, and insufficient internal cooperation** and it's easy to see why many financial institutions are being left behind.

But rest assured, your Head of Lending is well aware of the situation. And as they've probably told you, the situation is far from hopeless. Let's take a look at a few current trends to finish setting the scene.



# Digital lending trends



## Trend 1

### The threat of digital-only banks

Many customers are dissatisfied with the loan origination options they find at conventional banks and credit unions, so they're taking their business elsewhere. Millennials and members of Generation Z in particular are worried about missing out on superior alternatives, and they're more than happy to switch when they find a solution that better meets their needs.



## Trend 2

### Creating an alternative lending model

And they're not the only threat out there. Crowdfunding companies, financial comparison sites, and peer-to-peer lending platforms are quickly gaining market share due to their low interest rates. But that doesn't mean you're out of the race.



## Trend 3

### The importance of fintech collaborations

Fintechs are on the scene to help you provide alternative lending options, allowing you to offer compelling rates and lending terms. They'll help you get back on track with advanced digital lending tech and years of strategic know-how, allowing you to integrate your systems with real-time credit scoring providers, digital income verification, and identity and data verification solutions.



## Trend 4

### The rise of differentiated products

Differentiated products may look like other market offerings, but they always have a key difference that sets them apart. Take speciality finance, for example. Innovative solutions like Buy Now, Pay Later and microfinancing have taken the lending market by storm. That's thanks in part to advances in data and analytics, which have helped institutions reduce their processing times and create truly differentiated products.

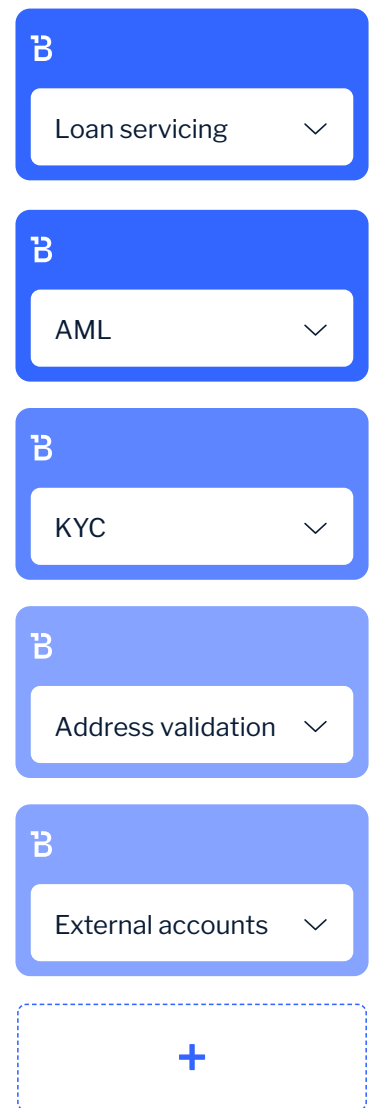
# Areas for digital lending innovation

## Up to speed now?

Then it's time to look into a few ways you can differentiate with cutting-edge, customer-first digital lending.

- **Alternate data** — use leveraged data sources like credit bureaus, social media, and behavior patterns to create personalized insights.
- **Integrated ecosystem** — create a fully integrated, automated lending ecosystem across both your internal platform and external data sources. That will allow you to become a one-stop shop in other areas, like real estate, property appraisals, and other non-banking industries, increasing your stickiness and boosting brand loyalty.
- **Data and analytics** — improved credit and risk assessments will help you slash your delinquency rates, saving you time, money, and effort.

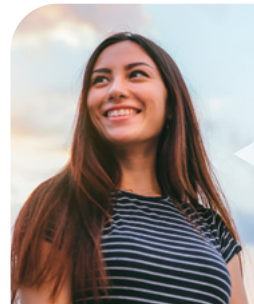
But don't forget — innovation in lending isn't all about the cool tech. It's also about re-imagining the whole process to make it leaner and better optimized, both for the customer and for the bank.



# Critical factors for long-term success

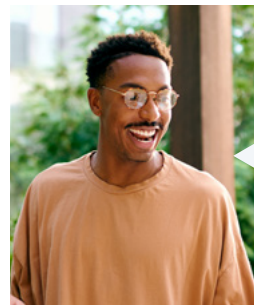
As your Head of Lending has probably mentioned, loan origination is currently on the rise. Between high adoption rates and favorable regulations, the market is a state of continuous growth — and that's your opportunity for success. But before you dive in, here's four key factors that will help ensure your lending modernization journey stands the test of time:

- 01. Customization/configuration** — make sure you have the ability to modify or alter your digital lending system to suit the needs of your customers. That will keep you agile and responsive as their expectations change over time.
- 02. Scalability** — start small, but dream big. Prepare for growth and expansion by creating a solution that scales alongside you.
- 03. Reusability** — it's important to build a modular system that can be used again and again. That way, you'll be ready if you expand overseas or want to create a sub-brand, for example.
- 04. Capacity for innovation** — things change, and you'll need to do the same. Future-proof your system for the next 5-7 years so you're always ready for new trends, challengers, and customer demands.



## Loan Origination New Customers

I want to have access to borrowed cash within 1-2 days.



## Loan Origination Existing Customers

I want to apply for a loan easily without providing onboarding information again.



## Loan Amendments / Manager

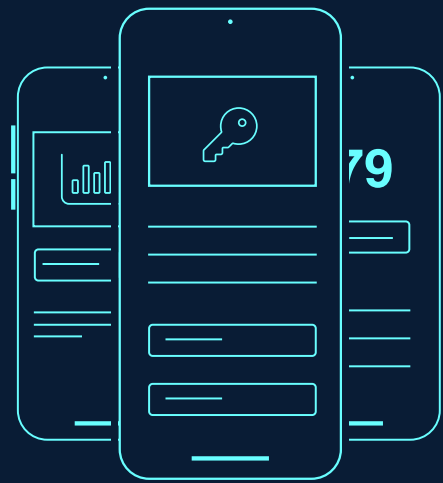
I want to be able to easily change a loan and amend it to suit my needs.



# Achieving your digital lending goals

That's all well and good, but how do you actually get started?

Well, in order to remain competitive in the vast digital lending ecosystem, you'll need to adapt — and adopt — best practices and capabilities. Let's divide these out between the business and technological aspects to better explore where you can begin with your modernization journey.



## Business

In order to use digital lending to enhance your business outcomes, you'll need to focus on two things:

### 1. Offering attractive financial products

The loan product landscape has evolved tremendously over a short period of time. Financial institutions, digital challengers, and fintechs have gotten more innovative with their offerings, especially in the digital context. That includes things like **products for small and medium enterprises**, which have taken increased focus due to the higher expectations of today's business owners. And on the other hand, customers have gravitated towards **Buy Now, Pay Later**, which allows them to raise instant — and often interest-free — lines of credit. You'll need to be equally innovative and customer-centric if you hope to compete on this crowded playing field.

## 2. Ensuring your operating model can successfully orchestrate digital loans

Next, consider how your operations can contribute to offering a truly unique client experience. Typically, financial institutions need to use a digital operating model to adapt to best lending practices, which focus on three areas:

- **Customer interaction**

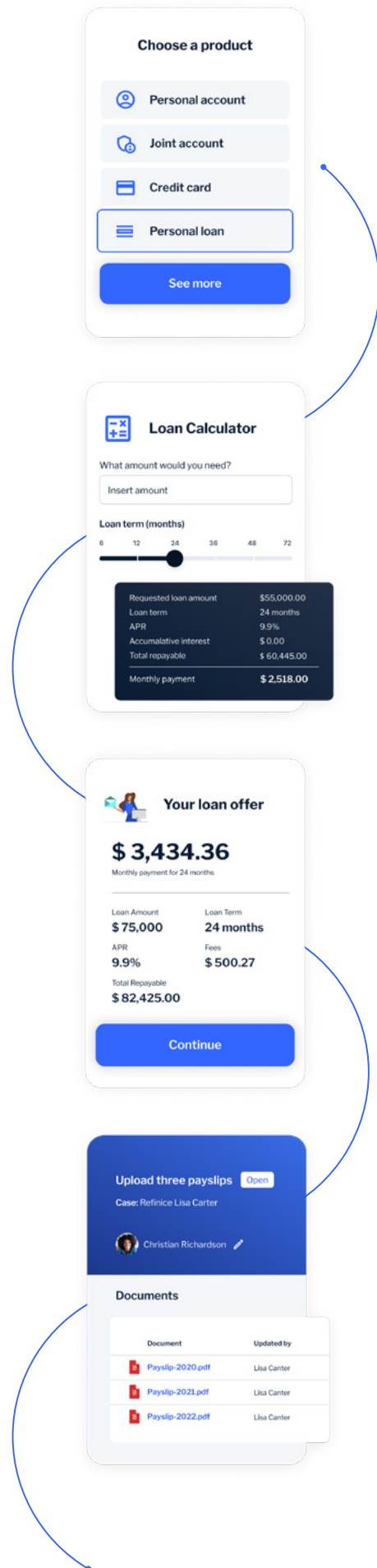
Be sure to personalize your journeys across customer types and segments. By using analytics to identify customer patterns, you'll create new opportunities for the cross-sell and up-sell of digital products.

- **Process excellence**

You'll need to make some technological advances if you want to leverage digital to reorganize your process for higher efficiency. Increase your focus on data and analytics, which will vastly reduce your turnaround time.

- **Organizational readiness**

Don't forget, your employees need to be onboarded with modern, relevant skill sets. That includes things like customer experience, automation, AI-ML, and data analytics.



# Technology

But you can't neglect the tech side of things. Here's the three areas we recommend focusing on in order to **achieve a robust digital lending process**:

## 1. Artificial intelligence

AI and machine learning algorithms have fundamentally changed the way we conduct the lending process. Together, they **automate human-dependent administrative tasks**, allowing digital leaders to spend less time and effort on tedious processes and more time on strengthening client relationships.

For example, consider using **AI-powered chatbots** to cover a substantial portion of your customer contacts. They'll take care of the basic requests, freeing up your staff and improving the overall user experience.

## 2. Data science

It's essential to develop **consumer-focused digital financing services**, as they can offer you both value and security. By using modern tech, you'll organize data transfers, standardize, and analyze data to learn more about the background of your borrowers — allowing you to personalize your lending solutions.

Take **alternative data**, for instance. It's quickly become a necessity in the process of assessing a customer's credit score, since traditional credit rating methods aren't as accurate as they once were. If you can harness the power of alternative data, you'll be able to make **smarter, better-informed decisions**, and this will have a huge impact across the value stream.

## 3. Automation

And last — but not least — **automation is your key for creating the quick, easily accessible loans** that modern consumers demand. Your customers want the power to self-service, and you need to give it to them. By empowering them to take their financial health into their own hands, you'll free up your team to spend more time on valuable tasks and deals. It's an essential part of lending in the customer-first era.

For one thing, you can use **robotic process automation** to automate loan underwriting, allowing you to speed up your turnaround times and enable everything from applications, documentation, verification, and safe, secure data access. And its interaction with APIs will also significantly increase your innovation potential and give your customers faster access to your loans. It's a real loan origination game-changer.





# Working with the experts of digital lending

Getting a clearer picture of your Head of Lending’s priorities? They’re aware of the **huge potential that digital loan origination presents**, and communicating this to you has most likely been at the top of their to-do list for some time. But even with your combined skills and teams, getting a modernization project off the ground takes a ton of business and technical know-how.

And that’s where we come in.

With [Backbase Digital Lending](#), you’ll get all the tools you need to **deliver the fast, frictionless experiences your customers demand**, all while lowering costs and driving revenue. That means a **hassle-free digital loan application journey** that allows you to collect, validate, and analyze data in real time. And your employees will benefit from digitized financial import, income verification, and financial spreading, all on a single interface — a far cry from the old, paper-based processes.

Our Engagement Banking Platform **supports your digital transformation across any channel and product** — from credit cards to small business loans and everything in between. And with pre-integrations to the world’s best fintech solution providers, you can make a huge impact in no time. You can even customize your journeys to fit your unique use case, which will help you stand out from the pack.

		Credit cards	Personal loans	Auto loans	Small business loans	Other loans
 Pre - qualification		✓	✓	✓	✓	+
 Approval		✓	✓	✓	✓	+
 Offer & funding		✓	✓	✓	✓	+
 Repayments		✓	✓	✓	✓	+

**Backbase Engagement Banking Platform**

By working with us, you'll be able to:

- **Significantly reduce dropoff** by closing deals faster with the simple, transparent experience your customers expect
- **Ensure quick turnaround** by empowering your employees with the digitized automation tools they need
- **Reduce processing times**, driving down your costs and delighting your customers in the process
- **Boost your number of loans processed** while increasing efficiency and lowering costs
- **Future-proof your lending products** across all lines of business and innovate at record speed

So if we've successfully convinced you that **the time for digital lending innovation is now**, let's get started! Reach out to us so we can explain how Backbase can help you craft the digital lending journey of your dreams.

Together, we'll make a huge impact, and that's a promise you can take to the bank.





# Key takeaways

To seize the digital lending opportunity and create a streamlined, automated, end-to-end loan origination solution, you'll need to:

- **Overcome the gaps in your lending tech**
- **Unify your disparate interfaces and inefficient systems**
- **Leverage automation, AI, and machine learning**
- **Collaborate with best-in-class fintech companies**
- **Create a fully integrated, automated lending ecosystem**
- **Offer attractive financial products to your customers**

It's a tall order, we know. But if you can pull it off, you'll be the bank that everyone's talking about. That includes your peers, as well as the customers who will come flocking to your doors. And they'll thank you for it — as will your Head of Lending.

Need help getting started?  
Check out our step-by-step,  
hands-on guide:

[How to digitize lending: 4 tips for modernizing your loan origination journeys](#)



# 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, TPNB, 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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