DIGITAL LENDING
BEST PRACTICES

Innovation and member expectations continue to alter and refine the lending landscape. Credit unions that effectively leverage digital lending technologies will deliver increased efficiency and realize the competitive advantages associated with these technologies.

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10 BEST PRACTICES TO BOOST YOUR DIGITAL LOAN APPLICATIONS

As digital lending competition increases, credit unions must take advantage of new technologies and capabilities that make engagement simpler and faster. Beyond converting paper to a digital document, a digital loan reduces the steps and automates many processes to turn borrowing into a very quick, painless process.

One of the most important metrics you can use to gauge the success of any digital lending strategy is conversions — quite simply, how many people complete your loan applications. You must have a clear understanding of your members, take all steps necessary to generate more traffic, test regularly, and focus on personalization. Here's how you do it — 10 best practices that will specifically help credit unions get more "form fill" from their digital lending applications.

Provide multiple choices that allow members to match their needs to your loan products.
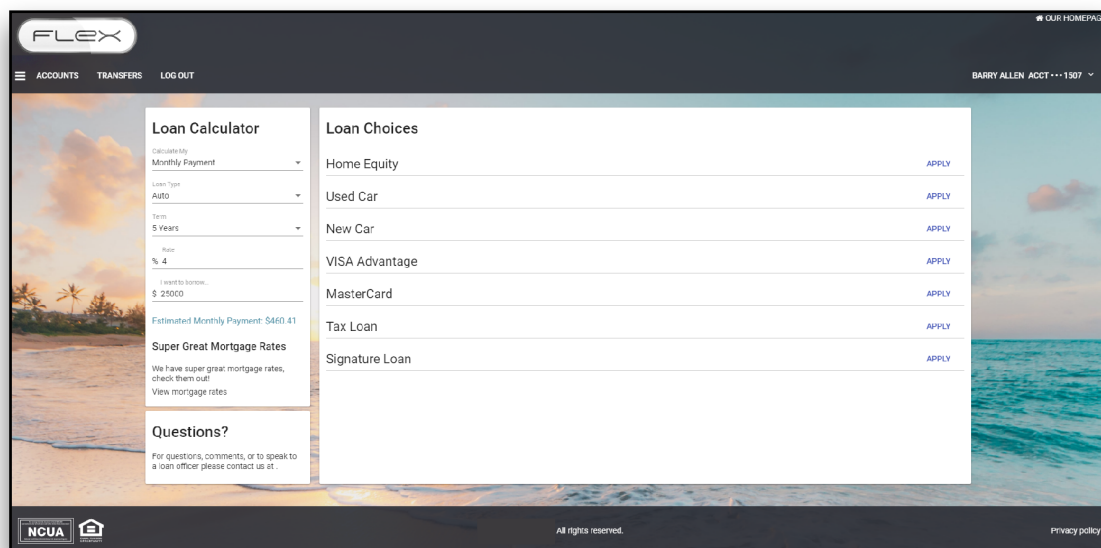
1. Take the Leap and go Digital!

Credit unions that take the leap and offer digital lending solutions have an opportunity to create a competitive advantage. The American Bankers Association reported on the state of digital lending in January 2018. The report found that only half of banks with assets over $1 billion and 38 percent of those under $1 billion in assets currently use a digital origination channel.

Of the banks offering digital options for loan origination, the majority — 96 percent — have digitized their loan application, while just 47 percent have digitized document uploads, 41 percent have digitized e-signatures and 34 percent have made use of digital channels such as email or instant messaging for member support. Only 19 percent said they offered instant credit decisions.
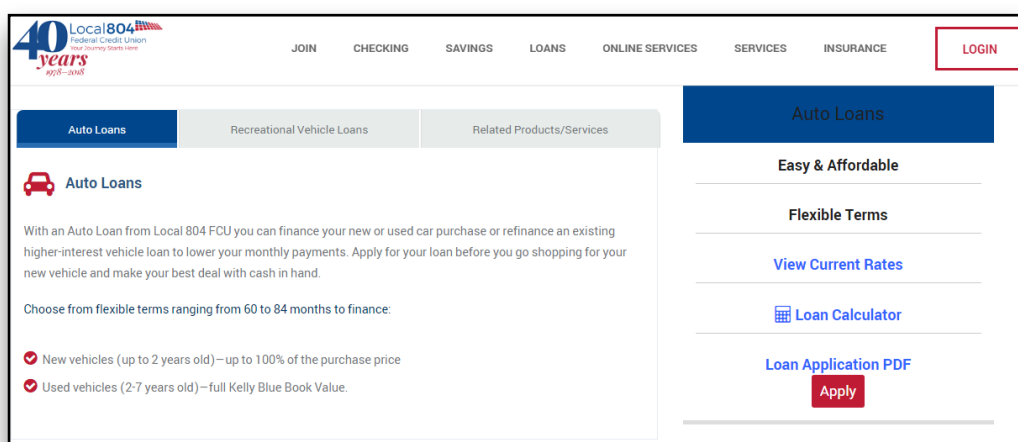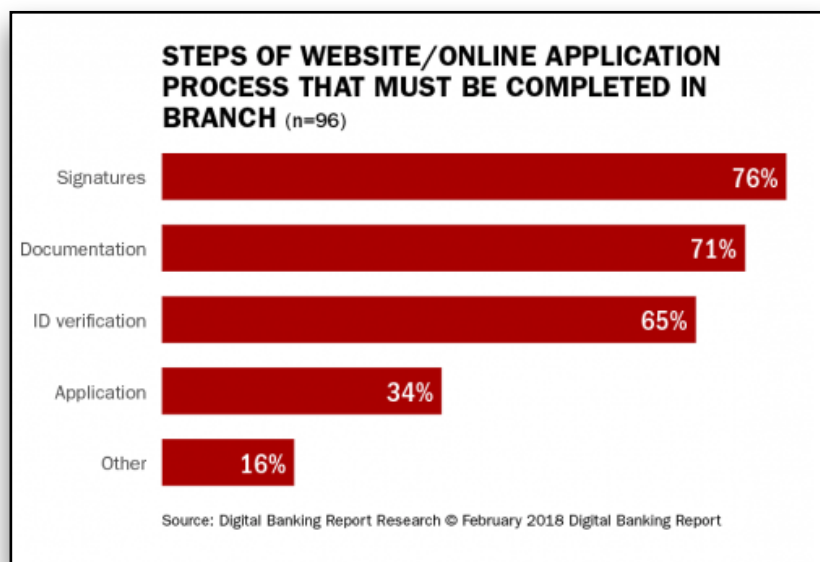

Case Study: Local 804 Credit Union saw loans increase 61% after implementing digital lending. Download the full case study here.

When asked about the impact of offering digital lending solutions to their members, Local 804 CEO, Ysemny Abood said, "The minor adjustment of taking our loan applications digital has made a major impact on our bottom line"

In 2016 Local 804 funded $227,000 in loan originations per employee. By Q3 of 2018, they were at $442,000 per employee. When asked about the increased efficiency by implementing digital lending, Abood explained, "Clearly our numbers show that we have been able to do more with less. To me, that's what technology is all about. We want to grow our credit union and we know that efficient technology coupled with capable employees will achieve this aim."

2. Eliminate Friction

While there are many different steps to your credit union's lending process, involving various departments, the member should be offered a seamless, frictionless experience. This includes providing the opportunity to sign documents electronically without visiting a branch location as well as the ability to receive a decision in as little as a few hours instead of days or weeks.


STEPS OF WEBSITE/ONLINE APPLICATION PROCESS THAT MUST BE COMPLETED IN BRANCH (n=96)

Signatures	76%
Documentation	71%
ID verification	65%
Application	34%
Other	16%

Source: Digital Banking Report Research © February 2018 Digital Banking Report

Eliminating Friction Means Allowing for Cross-Channel Support

Your digital loan origination solution must support the ability for the member to switch methods of engagement, whether on a mobile device, online or in a branch. The look and feel of the process should be the same regardless of the channel. A truly frictionless digital process goes beyond application submissions and includes back-end processing for your staff.

Examples of decreasing friction include generating loan documents electronically and offering eSignture, having the decision returned while still in the browser session after submission and providing the opportunity to upload supporting documentation.

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3. Less is More.... Simplify the Application Process

According to a Javelin Digital Banking Report, the number two reason consumers abandoned a digital application was due to the process being too complicated, and the number four reason was due to the process being too long.
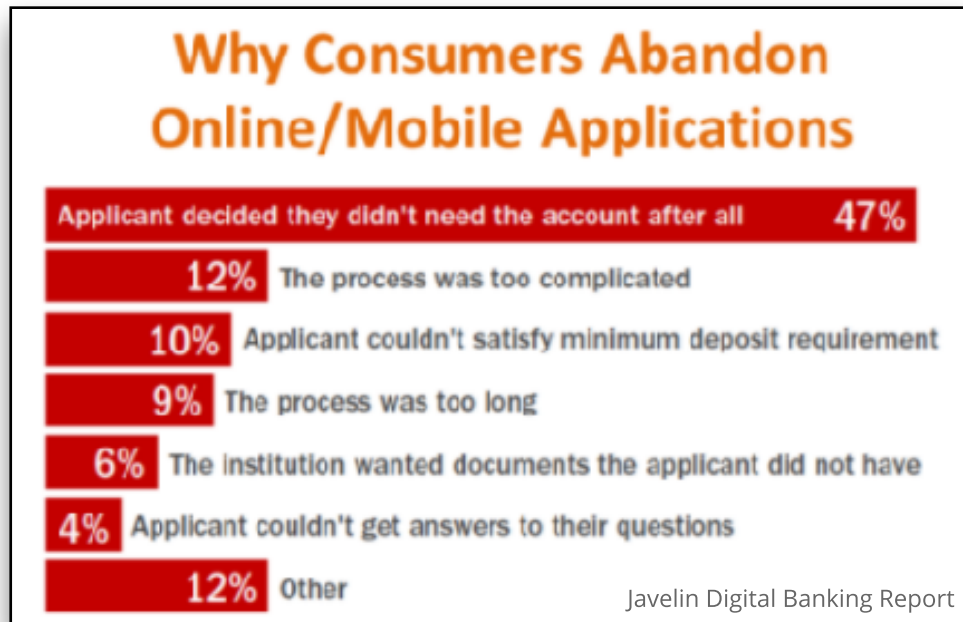
As a lender it is difficult to not want to collect all the information you can upfront. All lenders agree, the more information you have the better. However, from the member perspective scrolling through endless fields or dealing with page-after-page of information requests can be daunting. To avoid application abandonment and increase digital loan submissions, thoughtfully plan out and select only necessary/required data fields. These fields should be limited to regulatory requirements and information that is necessary to make informed approvals.

Highlight required fields for your members by displaying obvious indicators such as colored fields or bold asterisks. These highlights will help the member know exactly what fields you require before proceeding.

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4. Configure Each Loan Application by Product Type

FLEX allows the digital application process to be configured based on loan or product type. This allows members to be matched with a loan application and loan disclosures that are consistent with the product they want. Again, the information collected should only be relevant to what is required for the specific loan product desired, unneeded fields will only become confusing and slow the process down for the member.

5. Validate and Secure Information

Moving from physical to digital channels requires added diligence regarding security and privacy. All information provided by your applicants needs to be verified quickly and accurately. This ranges from income, to employment to the identity of the applicant. There are several options that can verify employment status and income as well as options that can assist in verifying the applicant. In many cases, these digital security capabilities are more accurate than were possible with physical channels.

Allowing members to log-in to the application system before applying will greatly enhance data validation and security. FLEX is unique in that the core system is generating and collecting member data, this not only enhances the member experience but also reduces the potential for data validation errors by staff as all applications are delivered directly to the FLEX loan queue.

6. Optimize for mobile

FLEX digital lending offers mobile loan applications "out-of-the-box". Instrument your mobile app properly to maximize data collection for tablet and phone users. A detailed form built for your website may be good for a visitor on a computer but it might be too long, complex or difficult to complete on mobile.

In a nod to our smartphone-obsessed age, optimizing for member experience is what can set your credit union apart. Most of your competition will offer some form of lending-related digital capabilities, making them available on mobile devices. In most cases, that mobile capability is just being able to access a website from a smartphone, rather than initiating and completing the loan processes through the mobile app.

Case Study: Local 804 Federal Credit Union

FLEX customer, Local 804 Federal Credit Union in Long Island City, NY, saw their loan-to-share ratio go from 50%, prior to implementing digital lending, to 78% after. Local 804 offers both Android and Apple versions of their mobile app and both offer a similar user experience and functionality. The credit union's increased loan-to-share ratio in part is related to the success they are experiencing through their digital lending efforts.

7. Increase Application Flow with eSignature

Simplifying the application, engagement and approval processes are the foundation for excellent digital lending. However, if the member is required to visit a physical branch to sign loan documents, expectations are disrupted. Having eSignature functionality is a key component of providing an excellent digital lending experience.

With FLEX, eSignatures can become a game changer, and not just for your members. Through core system integration loan documents can be set up and queued from the FLEX loan origination system. This generates the application package for the member to sign electronically and upon eSignature completion, the powerful FLEX REST API integration with DocuSign and eDoc Innovations will import the completed loan forms into the FLEX Document Mangement System.

Innovations such as eSignatures have no doubt been an integral part of simplifying the application, engagement and approval processes, offering an exceptional digital lending experience. FLEX allows for sending, receiving and archiving of eSignature forms and documents without ever leaving the core. Once documents are signed or viewed by the applicant, an instant notification is delivered to a credit union staff member, accompanying the electronically signed forms.

8. Core System Integration

Your digital lending suite must support the ability for the member to change methods of engagement, whether on a mobile device such as a tablet or in a branch. Your solution also must have a consistent look and feel with familiar features at all levels. A lack of consistency for different applications can confuse the member and ultimately dissuade them from following through on an application. Ensure that all available methods of submission maintain consistent features and branding. To be clear, a truly frictionless digital process goes beyond application submissions and includes back-end processing for your staff. Without a core system that integrates into this process, the above requirements become virtually impossible.

Providing pre-fill functionality is expected when it comes to the digital loan application process, eliminating the need for a current member to provide information that is already on file at your credit union. Core system integration can allow for the retrieval of key data components for the pre-fill process to occur.

FLEX enhances this benefit by providing a complete digital lending solution which includes core loan origination, online and mobile app loan products. This digital lending suite is further enhanced with eSignature integration tied to the core system document management suite.

9. Open API's. Instant Decisioning. Digital Onboarding

Existing silos within your credit union and the availability of lending options that can complement what you're currently offering may deem the use of open lending APIs. This allows your credit union to be flexible regarding products, services and functionalities, based on what your API partner offers. Planning your own integrations will also allow you to take advantage of emerging new channels and fintech solutions that can refer applications easily into your FLEX loan and deposit ecosystems. FLEX supports Open API's for digital lending solutions with CU Direct Lending 360, Meridian Link LoansPQ and CRIF Select.

As you begin to build your digital lending playbook, you may decide that an outside approach is more robust. Credit unions that want to move beyond a core driven solution and want to incorporate automated loan decisioning models, for example, may choose to turn to Open API's to deliver their digital lending solution. These enhanced digital lending options also offer digital onboarding features that allow new member onboarding from the information that is collected during the digital lending process. A multi-channel new member onboarding process can use the insights collected during the loan application process to create highly personalized offers that can be delivered instantly. Integrating the onboarding process as part of the digital loan customer lifecycle will improve both new member loyalty and revenue.

10. Analyze the Lending Process through Analytics

It does sound redundant, but every credit union should be analyzing their lending process through the application of data analytics. Big data is a trendy term, but it essentially embodies what we have always tried to do... understand and make use of the data that is a result of a process i.e. lending or a problem i.e. page exits.

When it comes to digital lending, employing analytics to improve your process doesn't need to be over thought. Through the use of analytics specifically tailored to your credit union's needs, you can easily:

- Identify steps that are needlessly complex or time-consuming = reduce friction.
- Identify steps where automated processes can replace manual processes = open API's.
- Monitor productivity trends using historical metrics. = application flow.
- Analyze origination trends by geography or dealer as well as by approval, capture, and booking ratios = approval rate.

What we have discussed to this point highlights that digital documents reduce time and cost of processing loan applications. Integration of alternative data sources, as well as the application of decision rules, result in better quality lending decisions. And, by applying analytics, lenders can continually identify unprofitable or time-consuming areas in processes and practices.

FLEX provides integration with Google Analytics, which can be used in conjunction with your digital lending solutions. Google Analytics simply requires that a small code, which identifies your credit union, is placed on each page of your loan application products. With Google Analytics installed you can quickly and easily learn:

1. Source - One of the easiest and most important metrics to find and measure: source; in other words, where your website traffic originated from. (i.e. Search engine, if they clicked on an email link, etc.)
2. Page-views vs. Unique Page-views - Page-views are just that, views of pages. On Google Analytics, unique page views take into account the same user going to a single page multiple times per session. If your content is truly remarkable, they'll keep coming back. Unique page views are a very strong indicator of this
3. Bounce Rate - This is the percentage of single-page sessions that left without interacting further. In other words, they left your loan application entirely. If you see this happening consistently with certain pages, you may need to make changes.
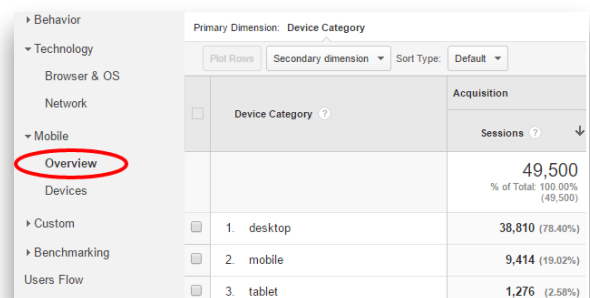
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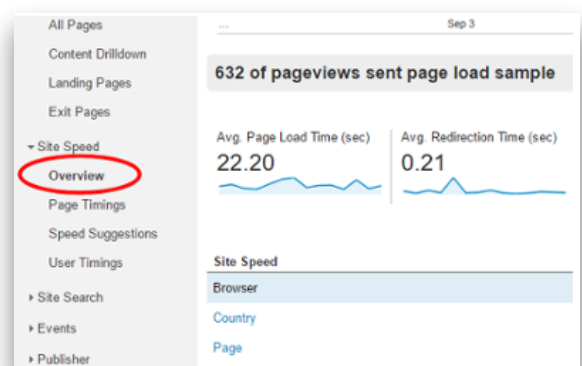# Using Google Analytics to Improve Digital Lending

4. Exit Percentage - This is the page that was last in a given session. A member could have viewed several pages, then left on a certain one, but if a page has a very high exit rate this could be a problem unless it is your 'Thank You for submitting a loan application' page.

5. Locations - Where are your visitors coming from geographically? Now you can find out!

6. Device Usage - Your digital lending solution should be responsive to how it's built, and if you are using FLEX for each phase it's guaranteed to be responsive. Knowing the percentage of members visiting your lending pages via different sources is going to give you a competitive advantage. This way you can see how your members prefer to connect with your loan products and place an emphasis on those areas.

7. Behavior Flow - This lets you see how people go through your digital lending site, based on some type of acquisition. You can view the behavior flow on individual pages as well, highlight specific pages and sort by acquisition type. (source, medium, channel, etc.)

8. Site Speed - This is an important ranking factor, especially if the digital lending landscape is competitive near your credit union. Site speed is an incredibly important usability factor as well. If your loan pages do not load quickly enough, a member will likely "bounce", and potentially find another, faster loading digital lending option to apply. Don't let this happen to your credit union!
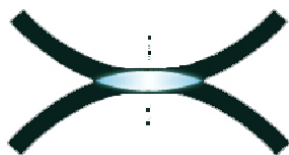
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FLEX is cohesively designed, developed and supported from our corporate offices in Sandy, Utah. FLEX relentlessly pursues a standard of excellence for efficiency, automation, client support and VALUE through the deployment of operational simplicity over the management of information. Collectively, these attributes have made FLEX the credit union industry's largest single sourced core provider.

If your credit union is entertaining a core system change, we are most confident that you will find FLEX to be uniquely innovative and . . .

Simply Better.