Business Loan Automation Can Help Your Bottom Line

🏷 technology   lending   profitability   automation   customer experience

Summary: Business loan automation isn't just convenient for customers — it's beneficial to CFIs, too. From increasing efficiency to strengthening borrower and employee relationships, we review how adopting a digital loan application process can do so much more than just speed up the approval process.

Just a decade ago, the applications we now fill out online were all paper: job applications, credit card applications, college admissions paperwork, new patient information, and so on. Today, when you go somewhere like a doctor's office, you're likely provided a way to check in virtually that allows you to verify your personal information, health insurance, and medications. The benefits of digitizing this process for patients are numerous, from streamlining the check-in process to minimizing data entry errors and even increasing privacy.

Another way that technology is helping expedite common processes is in the lending world. When we talk about the importance of business loan automation, we often center the discussion around what's convenient for customers. Customer convenience is indeed important, and a digital loan application process that uses artificial intelligence, machine learning, data analysis, and automation can be faster, more personalized, and more convenient than the analog alternative.

But in addition to providing a better customer experience, there are other reasons that community financial institutions (CFIs) should pursue business loan automation. Those reasons go directly to bank strategy and profit. At a CFI, digital lending applications and approvals offer the CFI itself a variety of benefits, including:

- **A more streamlined lending operation.** Automating routine tasks can help CFIs reduce their operational costs and assign their resources more efficiently. Fewer manual tasks and less paperwork mean that CFIs need fewer employees — a plus in a tight labor market. Current CFI employees also gain back time to do higher-level work.
- **More accurate credit assessments.** Data analytics help a CFI make better credit decisions and reduce its loan distress and default rates. Digital lending platforms can integrate with credit bureaus, allowing real-time credit assessments and risk evaluation. Lending decisions are then more informed, which helps a CFI take smarter risks.
- **Pricing suggestions from artificial intelligence.** This can help CFIs determine optimal loan pricing and maximize a loan's profitability, and then the average margin can increase as a result.
- **Increased loan origination volume.** A system that offers faster loan applications, quicker and more accurate lending decisions, and speedier loan issuance gives CFIs space to increase the number of loans they originate. CFIs can scale their lending operations to accommodate a larger number of loans and improve their return on assets.
- **More efficient loan-servicing teams.** Automated debt collection and a full view of open and paid loans free employees from pursuing missed payments. Instead, they can offer better service to the CFI's best business loan customers.
- **Simplified borrower interaction.** Many digital lending systems can handle borrower inquiries and communications across multiple channels. This lets lenders serve more borrowers with fewer in-person

customer service interactions.

- **Ensured regulatory compliance.** The lending process software can help CFIs stay on top of compliance and allow for faster regulatory reporting courtesy of a digital lending platform's automated compliance checks.
- **Stronger relationships with customers and employees.** Clients get a more pleasant loan application process and faster loan approvals and denials. Employees get a chance to set down repetitive tasks and grow professionally by taking on more interesting and challenging work.
- **Better agility and faster adaptation to market conditions.** Loan automation software also provides the ability to collect real-time metrics and analytics that CFIs can action on, including borrower risk, portfolio performance, and trend reporting.

There are costs to digital lending, of course — an initial investment in technology, employee training, extra digital security for customer data, and integrating digital lending platforms with existing banking systems to name a few. For many CFIs, however, the expense is less worrisome than the benefits and worth looking into.

COMPETITIVE AND CONSISTENT LOAN PRICING

Achieve a 360-degree customer relationship view so you can determine the best loan pricing based on your customer data, while driving higher bank profitability. Learn more about our solution for customer profitability to give you that comprehensive perspective.

ECONOMY & RATES

Rates As Of: 11/01/2023 05:35AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.59	0.04	1.17
6M	5.54	0.01	0.78
1Y	5.43	0.00	0.73
2Y	5.06	-0.03	0.63
5Y	4.80	-0.06	0.80
10Y	4.87	-0.07	0.99
30Y	5.01	-0.09	1.04
FF Market	**FF Disc**		**IORB**
5.33	5.50		5.40
SOFR	**Prime**		**OBFR**
5.35	8.50		5.32