White Paper

5 Ways to Retain Talent and Customers With Your Loan Origination System

In this paper, explore the following five ways to leverage your LOS to retain talent and customers:

- **Balance Digital Capabilities With a Human Touch**
- **Leverage a Consistent, Transparent Communication Channel to Correspond With Customers**
- **Equip All Employees to Process Loan Requests With Confidence**
- **Integrate Multiple Sources of Data**
- **Don't Get Stuck With Spreadsheets, Embrace Automation**

Financial institutions are feeling the pressure to grow loan volumes while at the same time preserve net interest margin in light of the aggressive interest rate increases from the Federal Reserve over the past 12 months and those that are still anticipated in 2023. With tighter margins due to the rate shifts, executives will be focused on driving efficiencies in lending to optimize portfolio performance.

Meanwhile, attracting and retaining talent was named a top business challenge for financial institutions in the year ahead, according to **BAI's Banking Outlook 2023** survey. Given the tough labor market, many community financial institutions are struggling to recruit experienced lending personnel and instead, often rely on existing staff, who may lack the level of expertise needed to process loan requests and guide borrowers to the right products—or are overwhelmed by outdated and burdensome origination processes in place at their institution.

The result? A lackluster experience for employees and customers alike.

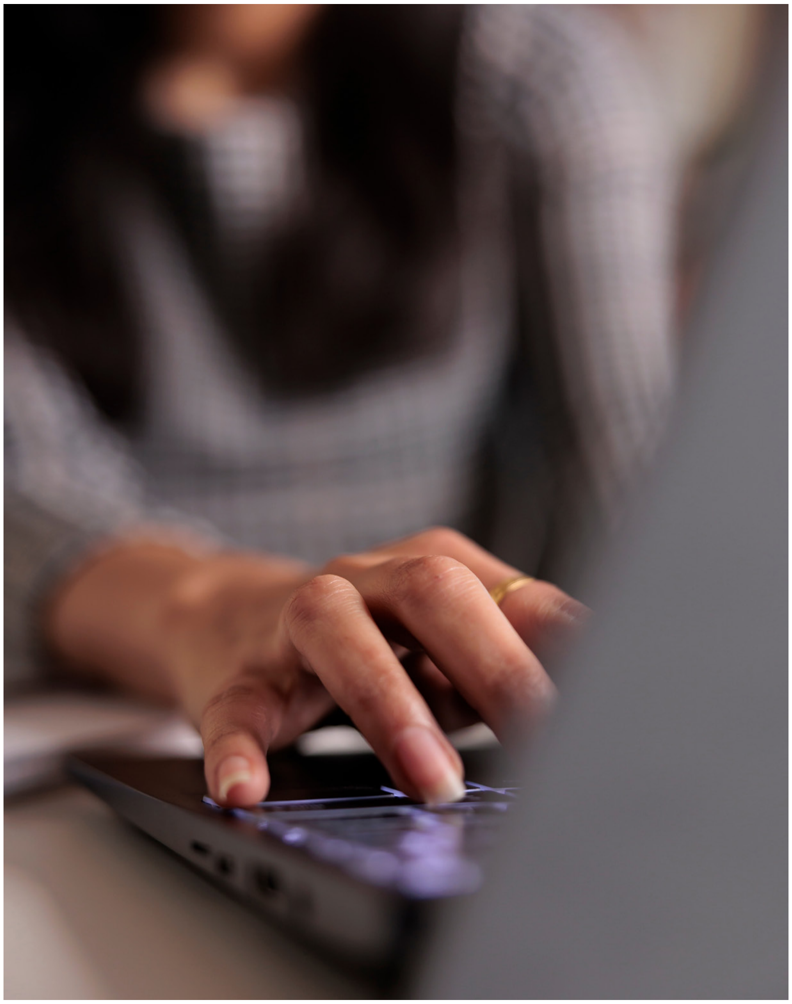
The good news is, a strong loan origination solution (LOS) can help financial institutions empower their employees and customers with a better lending experience.

> *"With tighter margins due to rate shifts, banking executives will be focused on driving efficiencies in lending to optimize portfolio performance.*

1 Balance Digital Capabilities With a Human Touch

Today's businesses and commercial enterprises have a wide range of credit options, from fintech to BigTech, as well as specialist niche lenders.

While traditional financial institutions are still the preferred choice for many businesses and commercial enterprises, the COVID-19 pandemic changed expectations, with businesses of all sizes increasingly looking for a digital-first lending experience with fast access to funds.



According to **Ernst & Young**, 63 percent of businesses still prefer traditional banks for their financial needs, but the use of competitors is increasing—56 percent of businesses have used a fintech service. This preference for fintech lending is particularly true in small to medium sized businesses (SMB) where convenience is one of the top drivers in financial decisions.

Finding a balance between digital enablement and self-service with a human touch is a new challenge among financial institutions, as many bankers are concerned about the complexity of commercial lending and the importance of interaction with the customer. After all, personalized support is still crucial, even in a self-service world. In fact, **BAI's Banking Outlook 2023** survey asked consumers how traditional financial institutions could improve their apps and digital capabilities.

Respondents across every age group cited 24/7 customer service, demonstrating the importance of personalized support. While these results are consumer focused, we see these exact driving factors for commercial or SMB borrowers. The rise of digital touchpoints is unlikely to slow down anytime soon and will continue to drive innovation in financial services. Still, community banks and credit unions must provide that personal touch to stand out and deliver the lending experience today's borrowers expect.

The right lending software can help financial institutions achieve this in a way that's scalable, no matter the size of your institution's team.

2 Leverage a Consistent, Transparent Communication Channel to Correspond With Customers

As technology evolves, so do customer expectations—especially when it comes to transparency and communication. Keeping up with the expectations of your institution's customer base not only builds trust and loyalty, but it also allows you to deliver on business objectives more efficiently.

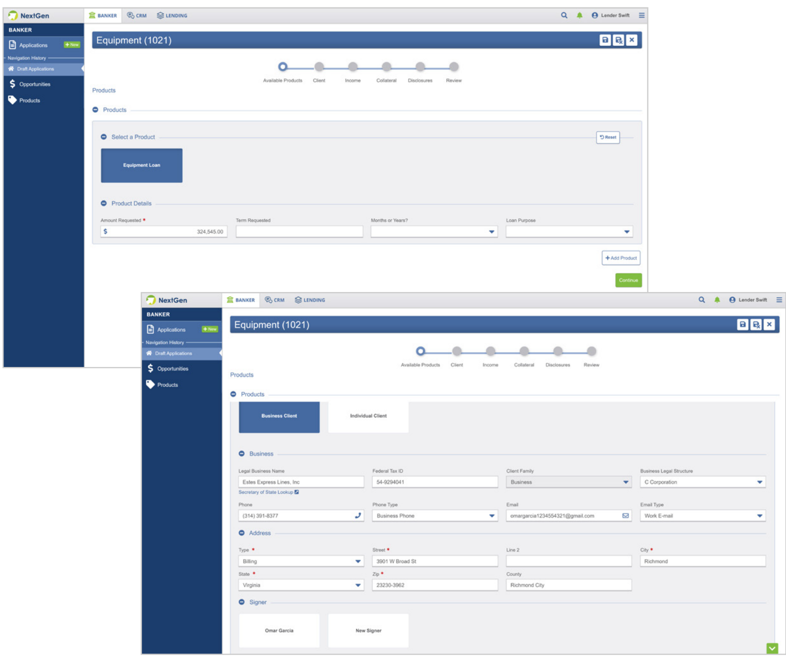
High engagement during the loan application process equals satisfied customers. Leveraging the power of a secure client portal to engage with, collaborate with, and update your customers so that they feel like a business partner with your institution—rather than just a number, is essential. A modern LOS should make lending a two-way street and provide a consistent, transparent communication channel that makes it easy for your financial institution's team to correspond with customers. Customers do not want a loan application process that is shrouded in mystery with no clear view of next steps or what documents will be needed.

At the same time, your credit and underwriting team needs a convenient and consistent place to answer customer questions, access submitted documentation and provide status updates on a customer's loan application. A secure client portal that's integrated within your LOS addresses these needs and simplifies communication between your team members and customers.

The transparency offered by a communication portal helps to remove the stress customers often feel during the loan application process. It also makes it easier for businesses to authorize collaboration amongst their key business partners, such as accountants, attorneys and more. For financial institutions, this supports a more responsive dialogue between your team and your customers, streamlining the application process while allowing your team to provide the highest level of customer service.

3 Equip All Employees to Process Loan Requests With Confidence

The ongoing talent shortage in banking, means that institutions must find ways to grow loan volumes across all channels and at every customer interaction, including in the branch. Therefore, even in-branch team members should be equipped to process a loan request from a customer. The challenge is that not all team members have the expertise to provide the product guidance based on the applicant's need, then capture all the necessary information and submit a complete loan package.



Baker Hill's lending solution is designed to help financial institutions streamline the loan origination process.

Team members can get incapacitated by the nuances of various lending products, especially for business and commercial loans. They want to avoid submitting loan requests that will be considered incomplete and require significant rework, slowing down the approval process. Capturing all the documents the financial institution needs to complete a loan request should be the job of lending software.

The right lending software will look at each individual loan request, the collateral and the type of borrower, and then create the checklists digitally, enabling the financial institution's team to focus on opportunities for growth—not reviewing outdated loan checklists. This is more important than ever in the current economic climate, as 79 percent of the large US banks' senior loan officers recently surveyed by the **Federal Reserve** stated that their banks tightened their credit underwriting standards for certain loan types in 2022.

More stringent underwriting norms included mandating higher premiums for riskier loans, charging higher costs and interest rate spreads, lower maturity periods for loans and credit lines, and tightening loan covenants. Yet, manual checklists that are stored as paper and posted in an office do not empower team members, especially those with limited lending experience, to adhere to updated credit policies.

As a result, they may not feel confident in submitting loan requests, as they may be unsure the a pplication contains all the information needed from the customer. Instead, a bank or credit union's team members should be able to leverage tools within their LOS to ensure they capture all the correct and necessary information from applicants for each credit product while adhering to individual compliance processing requirements, even in an ever-changing regulatory environment.

4 Integrate Multiple Sources of Data

To get the most out of your LOS and maximize efficiency gains, reliable data is crucial. Without accurate and integrated data, the opportunities to automate lending workflows are limited at best. At worst, inaccurate, siloed data can cause errors and reprocessing delays, leading to unhappy customers and frustrated team members. For instance, gathering the right data on businesses and commercial properties can be a cumbersome process requiring untold time and resources. This results in opportunity costs that stack up fast.

Think: delayed loan funding and a negative customer experience that diminishes the potential for future business referrals. Accurate, enterprise-wide data is the foundation for establishing more efficient and productive lending processes. Without it, your financial institution will struggle to automate workflows, support faster decisioning, manage risk proactively, deepen customer relationships and more. For financial institutions looking to streamline their loan origination workflows and optimize their portfolio performance, the first step is to review what data exists currently and what information you need to process loans more efficiently.

Modern commercial lending software should easily import data from your institution's core systems. If you are not using that data and leveraging it within your commercial LOS, you are adding at least two to three hours to your lending process. In addition to core data, your LOS should integrate data from other systems as well.

The data on a typical commercial loan decision comes from many areas beyond your core—for example, your customer relationship management (CRM) system, deposit and exposure systems, financial statement spreading systems, and scoring systems. The banks that are taking lending to the next level are leveraging this data to create more robust credit memos that facilitate the most efficient and accurate credit decisions possible. Chicago-based Marquette Bank recognized the value of creating a more efficient, data-driven lending workflow.

With Baker Hill, the bank improved its credit memo creation time by 25 percent and eliminated more than 70 percent of paper reports, all while enhancing its pipeline process to encourage strategic sales planning and nurture relationships with valuable clients.

For complex commercial deals, the ability to leverage data from multiple sources and access them in one place is critical to drive efficiencies. This is even more important for commercial real estate (CRE) deals, where a lender must not only consider the creditworthiness of the borrower and the property, but also the financial health of the tenants in the property. If tenants face financial challenges, it can impact your borrower's ability to repay.

Your LOS should also be able to integrate with external systems that can give your team access to critical data about borrowers, properties, and tenants in a centralized location. With detailed financial information on a property's tenant base, CRE lenders and bankers can more easily understand the financial health of individual tenants and make stronger CRE lending decisions.

5 Don’t Get Stuck With Spreadsheets, Embrace Automation

Clean, consolidated data is the first step toward automating manual processes, and can help improve the quality of financial analysis for commercial loans. By bringing together the right data, your financial institution’s credit policies and risk tolerance, your institution can set predefined standards or business rules to base credit decisions on. This ensures consistency across the underwriting process and facilitates faster decisioning.

What holds financial institutions back from achieving this? A major pain point amongst many financial institution teams and their customers is the redundant collection of financial information, as it can be dominated by tedious form filling. However, minimizing duplicate data entry not only minimizes the risk of error, it significantly streamlines the underwriting process.

For instance, does your team have to re-key financial statement and tax return data into statement spreads or can you automate this? Oftentimes, team members rely on spreading financial statement data and tax return data using Excel spreadsheets or other manual processes.

While these tactics may be more familiar, automated tools create efficiencies and improve the flow of data across your organization in ways that traditional spreadsheets cannot. Using an LOS with an integrated, dynamic statement spreading solution will give your underwriters and credit analysts the reporting options they need to make sound credit decisions for the most complex commercial deals. The point of automating your workflow and statement spreading is to enable your front, middle, and back-office teams to work together seamlessly, ultimately helping your institution become more efficient.

If your institution is looking to automate certain lending workflows, but are still using manual processes, consider where you want to start with automation. Perhaps it’s automating the spreading process. As a second step, you may choose to automate exception tracking for commercial loans. If your institution has already automated some of its processes, evaluate where bottlenecks still exist and focus on addressing those. A good technology partner can advise on the best strategy for deploying automation and help you execute accordingly.

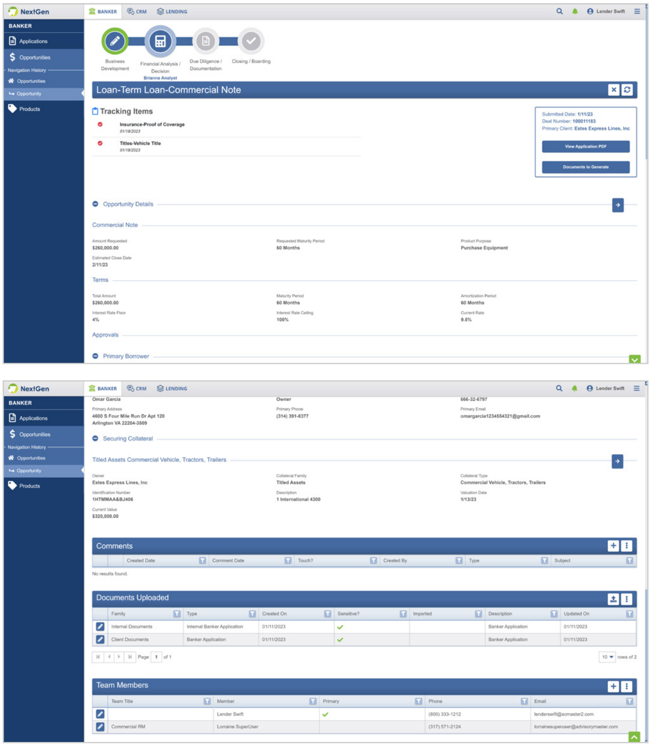
Maximize the Return on Your Institution's Greatest Investments

For any size financial institution, an LOS is a big technology investment. However, the right solution can help community financial institutions maximize the potential of another valuable investment: their team members.

Research from MIT shows that organizations that provide a positive employee experience have more loyal customers than organizations with a poor employee experience. The same research reveals that a better employee experience also contributes to increased profits, up to 25 percent higher.

Empowering your team members and eliminating friction within their job function can make a significant impact on your financial institution's bottom line and its customer relationships. Therefore, your LOS should make it easy to remove any obstacles that prevent your team from reaching their full potential. Likewise, it should make it easy for customers to engage with your financial institution.

With tools that support more efficient collaboration, both between lenders and customers, and across departments—from your commercial relationship managers to the credit and loan operations staff who handle underwriting and portfolio monitoring—your institution can grow its portfolio and deepen customer relationships without hiring additional headcount or overburdening your existing team.



Baker Hill's loan origination software can help your team reach its full potential by reducing friction during the lending process.

The last few years have been filled with economic challenges—from supply chain issues to inflation to the ongoing war for talent. By making the most of today's technology, financial institutions of all sizes can empower their existing teams to help the businesses in their communities thrive, despite these adversities. The financial institutions that do so will see higher net interest margins and increased returns, but—more importantly—these institutions will nurture loyal relationships with both their employees and customers in 2023 and beyond.

Baker Hill is in the business of evolving loan origination by combining expertise in technology with expertise in banking. Built on decades of walking alongside banks and credit unions as they provide vital resources to their communities, Baker Hill NextGen® is a configurable, single platform SaaS solution for commercial, small business, consumer loan origination, and risk management that grows along with you as your business needs change. Baker Hill is lending evolved. For more information, visit **www.bakerhill.com**.