

Digital Lending Article

The 5 pillars for better digital lending in 2022



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The goal posts continue to shift in the home lending market as global trends re-shape consumer behaviours and the pandemic makes tech transformation a given. We talk through the **five pillars** that support better digital lending in this new era, with insights from Priyanka Nigam, Sandstone Technology's Executive General Manager of the Innovation Hub.





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The global customer

The entry of global companies into new markets has caused a big shake-up in consumer behaviour and expectation, according to Priyanka Nigam. Consumers have become accustomed to using global products, and that experience is evolving into a habitual need.

“The expansion of many organisations into the APJ region is evolving this market,” she says. “With more exposure to what’s happening around the globe, consumers are becoming accustomed to experiences associated with global technology and expecting it to be the norm.”

According to a 2021 PWC consumer survey, 69% of respondents rate the [most up-to-date technology](#) as an important factor in choosing a bank or financial product. Consumers are increasingly expecting easier, seamless banking journeys.

There is now an urgent need for seamless processes and excellent customer experience in the banking and financial sector, Nigam says.

The second global driver - COVID-19

With consumer movement restricted during the pandemic, in-branch scenarios have been forced online. Any banking processes that were still manual were transformed to a digital platform.

“It’s either: evolve today, or slowly perish.”

Technology innovations that were planned for three or even five years down the track, have been brought forward. It’s either: evolve today, or slowly perish, Nigam says.

As a result, 2022 is expected to be [“another bumper year for investment in fintech”](#). Forrester analysts predict that banks will [“take a leaf out of disruptors’ books”](#) in 2022, including expanding their digital offerings.



Sandstone Technology's 5 pillars of digital lending technology

As technology plays an ever-greater role in keeping customers satisfied, acquiring home loan customers relies on switching focus outwards, onto the customer needs. Meanwhile, changing regulatory requirements demand constant attention, and lenders increasingly must look at ways of future-proofing digital lending and empowering internal teams.

We've grouped these priorities into five pillars which together, support a sound digital lending strategy.



Pillar 1: Balancing consumer versus lender needs

What does the prospective home loan customer really want? It's not a home loan, it's a dream home; or to build financial security through property investing.

They want their financial institution to give them a decision on their digital lending application now - not in days or weeks' time. They want a smooth application process based on a well-defined user strategy.

For many banks, that will involve a major re-think, starting with the basics: putting the customer, not the product, at the core of the digital lending strategy. It means aligning that strategy with specific customer needs, improving delivery and ensuring financial solutions are contextual.

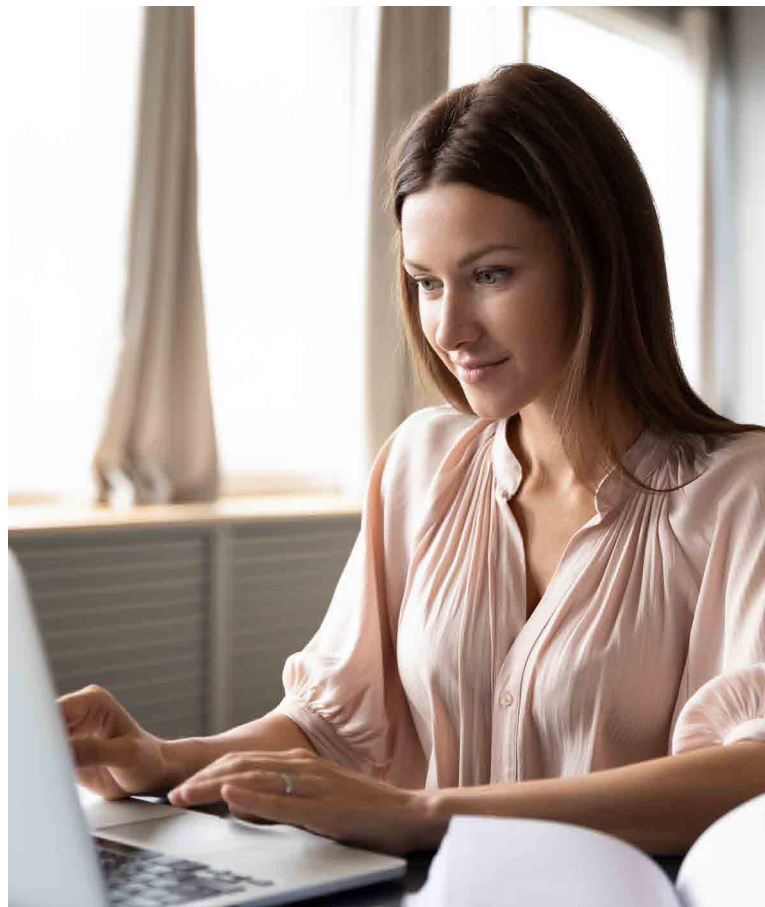
On the bank side, increased legislation and restrictions, especially in relation to home loans, mean that lenders have a weight of responsibilities when making credit decisions.

The process of verifying whether customer-supplied information is correct (i.e. is the customer who they claim to be and can they adequately service the loan?), involves checking with outside agencies, such as credit bureaux and identity databases.

Assessments must be made against lending criteria; at the same time, customers must be encouraged to act responsibly and honestly. So how do banks strike a balance between consumer demand for a seamless process, and the myriad legal and regulatory requirements around serviceability, suitability and identity?

Digital lending technology is crucial in automating and streamlining these processes and meeting these requirements. When there is synergy between both internal and external systems, i.e. there is seamless connection, lenders can ensure they're being responsible at the touch of a button. Rather than relying on teams manually checking at every step and risking human error.

Intelligent document processing (IDP) solutions like Sandstone Technology's [DiVA](#) can automate document verification and data processing in digital lending, to free up human resources, reduce errors and improve the customer experience.





Pillar 2: Instant decisioning

The home loan applicant, accustomed to instant gratification from their digital retailer or streaming entertainment service, does not tolerate delays. "If you still have a lead time of five days, you need to update your processes to be more lean. This would not only reduce internal time wasted but also delight the customers, furthering your brand value within the market. Customers of today don't like waiting and typically are speaking to two or more banks," says Nigam.

From locating the application form on a lender's website, to filling it out and getting the bank's decision – increasingly it needs to be instant. And if one lender can't do it, the customer will find an alternative.

As Nigam says, the customer today is willing to provide all the information the lender requires and supply proof of their financial standing. At the same time, they know most of their data is now living in the cloud and that many third parties can enable retrieval of information without having to upload a plethora of documents.

The customer also needs to be kept up to speed throughout the settlement process until completion: a customer isn't truly a customer until they've settled. Every aspect of the acquisition and origination process needs to be fast-tracked to keep the customer engaged and satisfied.

Or as PwC put it, "Those organisations that can provide options with the fastest, most seamless experiences — across the human digital intersection — will win their favour." Conversely, frustration escalates when there's an expectation divide – and "bad experiences aren't easily forgotten."

"Bad experiences can steer good customers away from your brand," Nigam adds.

Pillar 3: Better data management with Open Banking

Forrester analysts predict that, "2022 will be the year when [open finance starts reshaping financial services for good](#) and when banks wake up to both the opportunities and threats that open finance represents." Regulators across the globe are proposing measures to extend data-sharing principles across a wider set of financial and non-financial products.

The prospective digital lending customer wants their dream home, not to have to fill out their employment details three times. Maximising the re-use of data in form-filling is the very least a bank can do today.

"If I was looking for a home loan, and my data was already available with my bank or financial institute as an existing customer, then they shouldn't be asking me for that data again." Nigam says.

It's also signalling to customers that the bank's digital lending process isn't designed well while keeping the customer at the core but rather it is a process that worked well in line with their legacy systems that aren't communicating to each other.

"As a prospective or existing customer, I expect more from my bank or financial institution," Nigam says. "The journey should be about me – the customer, not the bank; and to avoid churn and diminished brand value, the experience should delight me, rather than frustrate me."

Modern solutions should **allow you to customise content and marketing** to match the nuances of your target customers.

Pillar 4: Automation of manual elements

Today, consumers live with an expectation of voice activation for multiple scenarios, digital subscription services taking care of everyday needs and self-driving cars becoming a reality every minute.

Technology is the only way banks will be able to deliver service across all customer touchpoints. Using intelligent automation and cross validating with open APIs, banks can issue loans faster, with personal information redacted, documents rotated, interpreted and indexed automatically. Information is processed with more accuracy, with little or no re-keying of information.

The imperative to automate has been recognised for some time in banking, but in 2022, [the heat is about to be turned up](#), according to PwC. "In an environment of low interest rates and scrutiny on fees, productivity and scale are becoming more important,".

Banking executives know this. Yet many bank processes still involve manual handling, with customers scanning and emailing paper documents, and employees manually comparing data points, reviewing statements, toggling between systems, indexing and keying data.

IDP combined with AI, ML, optical character recognition (OCR) and natural language processing (NLP) can enable financial institutions to capture, classify, and extract data stored in documents, turning unstructured and semi-structured data into a structured format.

The [IDP](#) can then be applied to extracted data for

enhanced validation and to automatically enter it into existing applications. Banks can make faster and improved credit decisions while removing and reducing costs.

Pillar 5: Bringing control of your systems inhouse

Even if you have a digital lending solution that delivers the capabilities outlined above, the question remains: are you in control of your digital ecosystem? Or will you be constantly reaching out to a third-party technology provider to help you adapt as circumstances – and customers - change?

Modern solutions should allow you to customise content and marketing to match the nuances of your target customers. Your system should be always capturing detailed analytics to enable your teams to measure, verify, learn and improve the user experience.

And you should be able to make changes to your own digital acquisition process, so it benefits your customers faster, without embarking on costly, time-consuming digital banking projects. Not to mention being able to set credit rules according to the bank's risk appetite and current regulations; and accommodating for different delegated lending authorities and teams.

Your digital lending strategy, and the tools and processes that support it, must be in your bank's own control. Working with a trusted partner who wants to put your bank in control is the ideal.



Outside-in, for 2022 and beyond

The 'outside-in' approach is king in digital home loan lending. No more focusing on your own obligations before adding a customer-facing origination process. The customer must be the focus, with seamless applications running in the background to synergise the bank's processes and satisfy the regulator's requirements. Sandstone Technology's customers have **increased conversion by up to 21%** using our strategic insights and unique tools and platforms - from the LARA suite of calculators to the Apply digital onboarding product and Tracker customer portal.

Take control of your digital ecosystem, and future proof your digital lending process.

Talk to Sandstone Technology about our range of digital lending technology solutions, advice, planning, processes and tools, underpinned by our thorough understanding of the regulatory environment and consumer psychology.





About Sandstone Technology

For more than 25 years Sandstone Technology has been innovating and evolving financial solutions for some of Australia and the world's largest banks and financial institutions. From digital banking and digital onboarding to loan origination and AI-based data analysis, our scalable, robust, end-to-end solutions using a multi-channel approach helps our customers get to market faster.

Seamless customer experiences start with Sandstone Technology.

Your trusted partner in the banking revolution.

Contact us today for further information or free product demonstration.

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