

How an LOS Drives Profitable Loan Growth

*Embrace Technology
That Is Shaping
Consumer Expectations
and Industry Standards*

By Will Vickers

In the current environment, investments in technology are absolutely critical for CUs competing not only with banks, but also with fintechs and—as the media report—large tech firms like Amazon and Google that are already making plans to enter the mortgage space.

According to a recent Cornerstone report, loan growth is the key goal and technology is the key to attaining it.

“In 2018, community banks and credit unions will seek to gain more value from existing systems, as survey respondents listed this as a top priority in the technology department. With regards to lending technology, 29% of financial institutions want to modify or improve their consumer Loan Origination System (LOS) and 34% want to improve their commercial loan origination system,” said Ron Shevlin, Director of Research at Cornerstone Advisors.



“Modifying, improving or if needed, replacing, these systems may help institutions realize the full value of such technology and ultimately, achieve the loan growth that many institutions are prioritizing this year,” added Cornerstone’s Shevlin.

Why is loan growth tied to technology?

- Credit unions are serving a larger membership, which means higher risk and the need to fully utilize all of the capabilities of your LOS.
- New and current members increasingly expect speed, convenience,

24/7 accessibility and instant responses from the customer portal.

- Profitability depends on low costs made possible by efficient technology.

But with so much in flux in the industry, how do you get the most out of your LOS?

We’ve identified five key goals that your LOS should support as well as the technology enhancements needed to achieve them:



IMPROVE MEMBER SERVICES

Credit unions came out of the recession relatively unscathed and with a new appeal to many consumers. A larger membership, trained by the Amazon shopping experience, expects a modern look and feel when they visit a CU website, enter their information and begin the application process.

The LOS that supports the consumer portal needs to leverage core systems in order to create a unique experience for both current and prospective members. Your LOS should provide this experience, as well as:

- More self-service options, including live mortgage payment quoting, comparison of several loan products and an online application.
- A “Digital Mortgage” option that minimizes human involvement for the homebuyer seeking a mortgage and strives to achieve an entirely online experience.
- Opportunities for members to explore alternatives and educate themselves on the website before they are ready to apply.

TAKE ADVANTAGE OF LOS IMPROVEMENTS

In reviewing your current LOS, consider whether you’re proactively monitoring your vendor’s releases to identify newly introduced feature/functions that improve current processes. Many are incorporating the latest advances in technology into their roadmaps. These could include:

- Modern automation capabilities that enable automatic product and service orders based on workflow triggers.
- Improved quality control capabilities, with the LOS able to trap user errors as they occur, rather than passing them along uncorrected until the end of the loan manufacturing process.

IMPROVE SUPPORT FOR YOUR BUSINESS STRATEGY

Are competitors closing loans faster than you can? Speed and efficiency for loan decisions are decisive in attracting and retaining new members. To achieve loan growth and protect profitability, the LOS should accommodate greater risk (reflecting an expanded membership) and a wider range of loan parameters.

Does your LOS:

- Scale and grow as your volume increases?
- Include support for all required business channels: retail, wholesale and correspondent?
- Include all your favorite vendors as built-in integrations that allow staff to remain in the LOS while placing and receiving orders?

IMPROVE OPERATIONAL EFFICIENCIES

Blaming inefficiencies on the limitations of your technology is easy but frequently not accurate. Each LOS has a preferred flow for how work gets done. Is your team creating inefficiencies by fighting your technology? Many legacy companies are reluctant to examine their manual processes, especially if they’ve been the same for an extended period of time. The day-to-day challenges faced by your team when using your current LOS may be more easily solved than you think.

Check with your LOS vendor for the availability of new capabilities to im-

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prove usability and maximize efficiencies, with such features as:

- Intuitive screen layouts that eliminate long learning curves for new team members.
- Task-oriented workflows to drive processes.
- Robust reporting capabilities.
- Accuracy of data flowing from one screen to the next. For example, if you order Arch MI for your member, does the premium amount flow to all parts of the system? Does Arch MI's name flow into the Uniform Loan Delivery Dataset (ULDD) or do you have to manually enter it?
- Advanced document management capabilities, including optical character recognition (OCR) and auto-indexing to eliminate manual "stare and compare" validation.
- A system that does a good job automating manual tasks and removing non-value-added steps.

IMPROVE SYSTEM FLEXIBILITY

An LOS that drives profitable growth will provide access to:

- A Product and Pricing Engine that is robust enough to support your creative loan programs.
- Functionality limits that accelerates new product development and roll-out.



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afford to ignore the enormous role that technology plays in shaping consumer expectations and industry standards. Loan growth in today's highly competitive environment simply can't be achieved without an advanced technology platform that promotes operational efficiencies, ensures low costs and delivers nearly instant turnaround.

By considering the points we've outlined above, you can identify how to

- Powerful tools that allow adding fields, modifying screen layouts and changing workflows as needs arise.
- Flexible reporting capabilities that make it easy to monitor and track key performance indicators to maximize your team's productivity and minimize operational costs.

The LOS is the cornerstone of any mortgage lending business. While CUs benefit from their personalized, community brand of service and focus on members, they can't

work with your vendor to upgrade your current system or decide whether a replacement might be needed. The goal is a technologically advanced LOS that will work effectively for your CU and your members. 

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