

7 Reasons to Put the Loan Origination System (LOS) in the Cloud

Modernize and Streamline for Profitable Lending Growth without Disruption

Consumer lending competition is fierce. Today's financial institutions must be able to pivot on a dime to offer new loan products and promotions. To achieve continuous loan growth, they need to make lending easier and more streamlined across all channels to reach Baby Boomers to Millennials. In fact, they not only need to consider these two generations as consumers but also as employees who need to be trained and efficient in days, not weeks or months.

The challenge is that legacy Loan Originations Systems are not set up for the needs of our demanding mobile economy and changing consumer expectations; the good news is that a cloud-based LOS can promote more productive lending without disrupting your entire team or business.

Pain Points to Achieve Growth Objectives

There are three major near term and long term objectives for financial institutions: 1) profitable loan growth, 2) consumer (or customer/member) expansion, and 3) efficiency. Each and every strategic investment should be measurable in these categories. One of the leading investment opportunities to achieve performance in all three areas is to re-evaluate the LOS in use by the financial institution.

Among the common pain points for lenders on legacy Loan Origination Systems:

- logging into several different systems and the inability to consistently streamline lending across channels
- difficult screens, difficult to use
- lack of flexibility and configurability
- lack of mobile optimized experience for consumers and your institution's end users
- lack of smart, automated decisioning
- concerns about redundancy and disaster recovery

In the words of a Chief Lending Officer seeking to address the growth objectives, "we took our LOS as far as it could go and it simply wasn't enough."

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The impact of an aging LOS for the lender is three-fold. First, consumers have high expectations to apply for and receive lending decisions in a matter of seconds or minutes from wherever they are, at any time of day. Second, employees including branch employees, customer service, and lending officers can be difficult to train and manage efficiently. Lastly, regulatory considerations require lending consistency that is often compromised by a multiplicity of systems and complex training.

Re-Evaluating Loan Origination Technology

Even a couple of years ago, making an LOS decision was a major undertaking - it was disruptive. It is still not an insignificant decision but the risk-to-reward and disruption levels have been lowered substantially.

Given the advent of enterprise-class cloud-services, buying “software” is fundamentally a different decision. Companies such as Amazon AWS services provide hosting of mission-critical business applications. In fact, a Citrix research report says that 72% of businesses are now using cloud-services. Companies such as Salesforce.com® and Oracle® have delivered solutions to major enterprise customers with a cloud-based, Software as a Service (SaaS) model that is subscription-based with great growth success; fundamentally changing how technology is consumed.

The Loan Origination System is the next natural application for a truly cloud-based approach. The following are 7 key reasons to evaluate it now to modernize loan origination and address the pain points that limit loan growth.

7 Reasons for LOS in the Cloud

1) Streamlining all channels into one LOS (web, mobile, in-branch, call centers and dealers)

One of the single biggest problems for financial institutions in terms of providing an excellent consumer experience and efficiency are the silos of lending by channel. This is a result of years of legacy LOS modifications and acquisitions and complicated core system integrations. If you could wipe the slate clean and start from the ground up, a system needs to take into account an ultra-simple streamlined process. A cloud-based solution that is built for this purpose has major advantages over heavy software that requires months of implementation services and integrations to brute-force the “streamlined” affect if it can in fact be achieved.

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2) Maintaining the latest, greatest software and features – all without IT requirements

Financial services simply can't be left behind on cloud-services. According to Forbes, "the worldwide spending on public cloud services will grow at a 19.4% compound annual growth rate (CAGR) from nearly \$70B in 2015 to more than \$141B in 2019.¹" The cloud is here to stay because technology innovation is moving faster than we can sustainably upgrade software effectively on premise. SaaS frees business leaders from tapping IT to move forward on key new business applications and initiatives. IT should still be involved but can be focused on more strategic initiatives and growth opportunities. Cloud-based vendors are typically on pace to deliver sprints (new feature upgrades) monthly or bi-monthly that are available instantly. They are better able to incorporate customer input and respond to the market needs. Talk about staying ahead of the curve!

3) Flexibility and configurability without costly professional services

How long does it take your institution to launch a new loan promotion or configure a new loan app? Months, weeks, days, hours? This metric is one of the key benchmarks for competitive differentiation. It should be noted that just because the solution is cloud-based does not mean this is easy; but it must be one of the leading requirements of a modern LOS. That means point and click to brand and configure promotions that fit your business processes quickly and efficiently.

4) Meet consumers wherever they are with modern mobile-optimized lending

You'd think that this is a no-brainer as we approach 2017 when according to Pew Research, 72% of the adult U.S. population reports using a smartphone². Yet, many credit unions and banks continue to operate without a truly optimized, responsive mobile-banking offering and mobile lending application. It is unacceptable at this point to provide lending without a mobile-first approach; this is true for both Millennials and Baby-Boomer consumers. In some cases, this is the first trigger to reconsider the LOS, but it is only part of the story.

5) Frictionless (yet smart) automated decisioning; human review for the tough applications

To be competitive, lending should be frictionless, smart and consistent. According to consulting experts, the goal for a financial institution should be a minimum of 50% loans auto-decided to achieve loan growth goals. That's a lofty goal but not unrealistic and it is being done today. To make profitable, responsible loans, the system needs to be configurable to the qualifications set by the institution. The LOS can do the heavy-lifting so the expert loan officers can make the tough decisions that need intervention. The loan packaging process equally needs to be automated for fast loan closure, booking and funding. Do more, with less.

How to know you have a legacy LOS?

- Green screen
- Several windows to access
- Difficult to train
- Multiple steps for lender and consumer
- Not mobile-ready
- Complicated
- Requires substantial IT and professional service support

Why modernizing matters?

- Streamlining and efficiency of lending
- Consumer experience
- Ease of use and training
- Speed and adaptability
- Flexibility for new promotions
- Security
- Redundancy and disaster recovery

6) Cloud-based solutions offer more redundancy and security

It is important to seek a cloud-hosted vendor that works with a premier hosting solution partner such as Amazon Web Services (AWS). Unlike most software financial institutions or software vendors, AWS' core competency is hosting and Internet security. By nature of their distributed, enterprise-class data centers, there is an increased level of redundancy by operating on an AWS cloud hosted application. Amazon AWS is a healthy organization with major R&D around security boasting \$7.88B in revenue in 2015 up 69% over the previous year. Select a cloud vendor that has the right platform¹.

7) Simple. Simple. Simple.

The right LOS is ridiculously simple to use for both the consumer and the lender. A cloud-based solution alone is not the answer. It needs to be created by lenders, for lenders who understand that consumer experience is crucial; and that lending can be simplified and clean. What a cloud-based solution offers is continuous improvements and innovation in a fraction of the time.

LOS in the Cloud: Speed, Consistency, Convenience, Simplicity

In order to meet lending growth goals and improve efficiency, it is clear that new technology is a key ingredient. Forward-thinking credit unions and community banks are embracing technology that is brilliantly simple to use, easy to configure, and cost effective to sustainably manage.

There is a huge opportunity to avoid massive disruption while embracing a state-of-the-art LOS and reaping the growth rewards. What if you could get a new, modern LOS that was built by lenders for lenders to be used in the cloud? You can.

Sources:

¹ [Forbes, 3/13/2016](#)

² [Pew Research Center, 2016](#)

About FinanceGenius

FinanceGenius simplifies loan origination for smart, fast and consistent automated loan decisions in half the time. It's the first cloud and subscription-based LOS designed to streamline applications from all sources (web, mobile, in-branch, call centers and dealers) into one place. Consumers find it easy and fast to apply and get a loan decision anytime, anywhere. Employees become smart lenders in days, not weeks or months. Marketers and Lenders get self-configurable tools to launch loan promotions in minutes. Because FinanceGenius is cloud-based, it's not disruptive to implement, it's always up-to-date, and it provides for maximum redundancy. FinanceGenius is a catalyst for change and helps your institution modernize loan origination and grow profitably. FinanceGenius is a privately-held sister company of RateGenius, find out more about our SaaS-based subscriptions at: www.financegenius.com.