THE SECRET TO BUILDING A LEADING LOAN APPLICATION PROCESS
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Introduction
Auto Loan Applications Today

The way loan applications are processed has changed dramatically over the last few years. Traditional, in-person banking, has given way to a new world of digital and non-digital options across many channels. Today’s consumers have a wide variety of options to choose from including brick and mortar locations, online banking, and over the phone loans. And all these new choices have empowered consumers to shop around for the best loans they can get.

To stay competitive, loan originators are rightfully refocusing their efforts to simplify their loan application processes. More than ever, today’s loan originators are looking for ways to better manage the maze of applications, regulations and compliance requirements, while still delivering an exceptional customer experience.
Problem: High Application Abandonment

Even though loan originators are spending heavily to attract applicants, outdated application processes are driving them away. Despite the enormous investments in loan origination – ranging from attracting borrowers to providing suitable loan offers – there is a gaping hole in the loan application process. The lender's funnel has abandonment levels that are killing growth initiatives. Those problems can no longer be ignored.

In fact, only **20 - 30% of loan applications are completed**. Application completion rates vary, but in some cases **more than 70% of applicants are simply abandoned**. This means that over 90% of what is spent on marketing and sales is being lost in piles of paperwork.
Many lenders provide excellent customer experience on their websites, apps, and various marketing processes. But they are failing to deliver a frictionless final stage of loan application. Instead, they lose customers because of one of 3 core reasons:

- Process & Documentation Requirements
- Application Timelines and Interest
- Terms

It’s interesting to note, that more than two thirds of the abandonment stems from slow and sloppy processes – not price.
Tackling Clunky and Inefficient Processes

The two most widespread and costly challenges impacting the conversions of loan applications are unwieldy application forms and clunky collection processes of stipulations.

Understanding and resolving these two application problems is the key to improving application yield.

1. Incorrect, Incomplete, Unwieldy Application Forms
2. Gathering Stipulations & Compliance
How Lenders Manage Forms & Stipulations Today

Today, loan originators are losing their applicants in the critical last part of the application process. When originators ask applicants to complete unwieldy forms and submit documentation and stipulations, applicants get frustrated and lose interest. They feel like they are being bounced between different channels just to fulfil loan requirements. This results in high abandonment rates. Worse, these customer abandon the application after they have already decided to take out a loan with a loan originator.

The problem is that it takes an average of five touchpoints for each borrower to finish one loan application, which translates into a very poor customer experience. This consumer experience gap only grows if an application is not compliant and has to be returned. At any one of these touchpoints, borrowers may simply decide that they don’t want to continue the loan application process.
Where Lenders Need to Intervene: The Last Mile

Those final loan application points are precisely where lenders need to intervene. It’s precisely in those critical moments where borrowers determine whether to complete their loan process, and whether they will remain a loyal customer.

Even if a customer’s entire journey to find a lender and choose a loan has gone smoothly, it’s only the ‘last mile’ that really counts. It’s in this final part of the customer experience that a loan application is actually finalized. If this last mile is a painful experience, the customer often abandon the application process, frustrated and dissatisfied.

To step-change loan performance, its imperative for lenders to invest in streamlining the final stages of the application process – The Last Mile.
Intervention one: Fixing Incorrect, Incomplete, Cumbersome Application Forms

**Problem:** Incorrect, incomplete, unwieldy application forms

**Solution:** Simplified, collaborative loan application platform

**Benefits:** More applications completed in less time
One of the most frustrating parts of the loan application process for consumers is that it requires time consuming manual data entry to complete complex forms. Applications can require several dozen fields, with questions about income, salary, and expenditures that can be confusing, complicated, and overwhelming.

These long and burdensome requirements partially explains the high rate of incorrect or incomplete information supplied on many loan applications, and the reason many loan originators need to call back customers. To make things worse, borrowers often need to complete loan applications online without any support. As consumers attempt to complete these forms, they are often left frustrated and abandon their application.

Some loan originators use basic systems that allow them to guide customers with their applications. Unfortunately, those are often only digital cues, but are not sufficient to help customers overcome their fears – they lack the real-time agent guidance of a phone call that customers thirst.
Solution: Simplified, collaborative loan application platform

An advanced loan application completion platform enables the loan originator and applicant to share a single, editable, application form that is much shorter and simpler than the typical multi-page form currently in use. This kind of platform can take a 50 to 100 field form, and streamline it so that a customer can easily review and edit it.

With a simplified forms, applicants are less likely to make mistakes. With less fields to fill in, loan originators can assist a customer in completing fields in real time, in person, over the phone or via chat. At the same time, the borrower can make sure that their personal details, account numbers, and relevant information are filled in correctly.

With a borrower and loan agent collaborating on the process, basic mistakes like a wrong birth date will be caught much sooner. Such a simplified loan application platform also dramatically reduces the risk of the loan originator carrying over outdated info from an old CRM record. And for today's busy consumers, the fact that such a solution is optimized for mobile devices is a crucial benefit.
Benefits:
More applications completed in less time

A collaborative, browser-accessible, simplified loan application process boosts the number of loan applications that are submitted correctly the first time around.

Ultimately, a streamlined loan application process through a shared application completion platform delivers a first-class last mile customer experience and increases your organization’s ROI. Specifically, operational efficiency will help grow your business’s portfolio yield by helping prospective customers capitalize on the best rates and terms for them. And as market conditions tend to change significantly from the assessment to final approval process, shortening that process from weeks to days is crucial.
Problem:
Compliance requires the collection of documents and stipulations that are difficult to obtain without the use of computers, printers, and fax.

Solution:
Enable the collection of required documents and stipulations from customers while they are on-the-go from their cell phone.

Benefits:
Instant collection, completion and compliance
In the last few years, compliance has become a bigger and more complex issue for financial services providers. A survey released by the Risk Management Association found that compliance costs rose in 2017 at nearly three quarters of midsize and large banks. The survey also found that 50% of respondents spent between 6% and 10% of their revenue on compliance costs.

The impact of Know Your Customer (KYC) and other compliance stipulations is greatest in the realm of CX, as seen in the drops we see in loan application completion rates, ongoing customer loyalty, and revenue. Regulatory stipulations such as KYC, including AML (Anti-Money Laundering), mean that nowadays more personal documents have to be provided.

"Compliance has caused customer onboarding time to increase 40% since 2015."
But when it comes to commercial loan closings, speed and profitability are correlated. A recent poll found that it takes an average of 44 days to close a loan. With the loan application process being a bank’s second largest functional cost, the longer a loan takes to close the more it costs a bank to process.

However, there is a disconnect between how lenders perceive the ease of compliance-related processes and the way customers view these new procedures. And while lenders feel their customers’ pain, they haven’t been able to simplify front end processes. They assume that current LOS (Loan Origination Software) systems are solving the compliance problem, not realizing that they are simply kicking the can down the road to the consumer. As a result, many loan applicants are abandoning the loan application process.

Also, with more compliance requirements comes an increased risk of noncompliant applications that are returned for completion and/or correction. Potential borrowers have to submit a number of proofs of identity or send the same document multiple times to multiple departments in order to satisfy the KYC stipulations of every branch of a lending company. Such a scenario also raises the likelihood that a potential borrower will abandon the application.

A recent poll found that it takes an average of 44 days to close a loan.

Source: CenterState
Loan originators need an easy and unobtrusive way to gather documents while meeting compliance and KYC requirements. Fortunately, there are tools on the market today that make it easy to capture customer documentation instantly while meeting regulatory requirements.

Customers benefit by saving time since all they’re being asked to do is perform functions on their mobile devices - selfies, snap photos, finger swipes - that they’re already familiar with. For example, customers can take a picture of their driver’s license, proof of income, etc. using the camera on their phone. They can also use their phone to read and consent to lending terms without having to wait. Even better: the borrower can navigate to any field from any device and add any required data.

For lenders, being able to collect documents in real time makes the last mile a more streamlined process, since the most frustrating part of applying for a loan, those endless follow-ups, is eliminated. And the loan originator can ease the process further by showing borrowers incomplete fields.

Solution:
Enable the collection of required documents and stipulations from customers while they are on-the-go from their cell phone.
Compliance does not have to be an obstacle to improved application completion rates. A loan application completion suite builds compliance into the entire process. Instead of disrupting the customer experience, compliance can now be directly integrated into the application process.

Such platforms ensure that applicants are not distracted by nonstop demands for more documents, or requests for additional information. As a result, gaps in information can be identified and filled more easily. Once these gaps are quickly filled and the application process is whittled down from weeks to minutes, the result is a significant increase in application completion rates and overall loan yield.
Loan Interventions Double Completion Rates

In conclusion, loan application completion rates are low today mainly because of documents and forms of identification that need to be collected, compliance issues, and an unpleasant last mile customer experience. Fortunately, these pain points can be addressed with loan application completion suites that simplify customer onboarding and enable financial institutions to comply with the most stringent regulations in a customer-friendly way. Loan originators see that simplifying forms and stipulation processes can double their conversion rate and dramatically improve their yield.
Technology to Streamline Application Processes

Real-time collaboration tools empower agents to provide exceptional experiences to customers even when they are on the go. Prospective clients stand to benefit from greater convenience in complementing and signing forms, providing stipps and executing payments while lending agents will capitalize on the ability to immediately process loan applications.

The result for you: higher conversion and yield rates.

Make it easy for your customers to complete forms, submit stipps, provide signatures, and collect payments. Offer your customers a smoother experience that eliminates any obstacles that could cause a borrower to abandon an application.
Learn more about how Lightico helps to accelerate and improve loan application processes.

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