

CREDIT UNION JOURNAL



THE NATION'S LEADING INDEPENDENT CREDIT UNION NEWSWEEKLY

Don't Let Technology Hijack Your Opportunity To Touch, Cross-Sell Members

By Jeff Frantz

As technology shifts, more and more consumers are utilizing the Internet for financial services. That can be good for credit unions, but it also brings with it risks if not handled right at a time when one result of the economic downturn is consumers are re-examining every business relationship and demanding to see value.

At Lending Solutions, for instance, roughly 52% of our loan transactions are Internet-based and that number is growing at a rate of 5% per year. The challenge is that your typical Internet loan application is a one-way transaction whereby your member inputs data to receive an automated decision with no human contact to discuss terms, cross-sell insurance, and set up the closing. Or, if the applicant does not meet the automated decisioning criteria, they may receive an e-mail the next day, and by then it may be too late to salvage the loan opportunity. In today's environment very little is being done to "deepen the well" with these web savvy members.

With the Internet becoming a preferred entry point for loan origination it is important to consider six key areas to create the best results for the credit union and best experience for the member. They are:

- Providing an interactive and concise experience.
- Automatically populating member data.
- Giving automated approvals.
- Present web chat functionality on automated approvals.
- Underwrite non-automated approvals immediately 24/7.
- Call all applicants that would like to be contacted.

When properly put into place the results are: additional revenue from existing members that prefer to conduct their business online, new members that are attracted to this type of functionality and sophistication, higher loan officer productivity as members are responsible for data entry, better pull-through or closing rates, and vastly improved cross-sales. Let's look at several areas that will achieve these objectives:

Application Functionality

Speed and ease of use are of the essence! The Internet loan application should collect the minimum amount of data to render a credit decision. If data, like references, are normally required, they should be collected after the fact so as to not bog down the application. The application should be personalized by pre-populating basic member data to help speed up data entry and create transparency. A unique application path should be provided based on loan type and purpose. For example, a car loan should go down a unique path versus the path of a home equity loan.

Online Decisioning

Online decisioning is the most vital driver of pull-through rates. Applicants

approved online are three times more likely to close the loan. Moreover, instant credit-verified approvals lower origination costs. According to Gomez Advisors, more than 55% of consumers indicate that receiving an instant approval is important in lender selection.

Immediate Non-automated Underwriting

For those members that are not automatically approved or denied, the application should be immediately reviewed by an underwriter. Additional applications can then be approved based on expanded criteria or a counteroffer can be made. Best practices suggests a five-minute turnaround time with service being provided 24 hours a day.

System Integration

Data should seamlessly flow between internet applications and the lender loan origination system. Quality system integration decreases labor costs, reduces error rates and accelerates processing time.

Member Interaction

One of the most effective but least utilized ways to improve the member experience, increase closing ratios, and cross-sell additional products is immediate contact through a web chat session or phone call. This immediate follow-up can greatly enhance the effectiveness of your e-lending program and enables your CU to:

- Confirm payments and terms.
- Build loans that are not approved.
- Cross-sell additional products such as insurance.
- Approve more loans by making counteroffers.
- Set up closing logistics.
- Thank the member for their business.
- Plant seeds for future financial needs.

Whether the follow-up is done via web chat or phone call can be left up to member. The important thing is that the follow-up take place in a timely fashion in order to take the member "off the market."

Speed, simplicity, ease of use, and rapid decisioning are critical elements of a successful Internet loan application. Internet loan origination is here to stay, but sophisticated Internet technology by itself is not the golden ticket. To maximize the credit union/member opportunity, consumer-friendly technology must be coupled with the ability to interact with a loan expert at the time of the application. The number of members choosing to conduct business electronically is increasing every day and if you do not have the mechanisms in place to communicate with them, a tremendous opportunity is being missed.

Jeff Frantz is senior vice president with Lending Solutions, Inc. Mr. Frantz can be reached at jfrantz@nlpc.com or 800-937-4249.