# The State of Digital Lending

A Race to Meet Ever-Rising Expectations

accenture

American Bankers Association

## Executive Summary

Welcome to the 2021 American Bankers Association overview on the state of digital lending. In this report, you'll discover what leaders are doing to accelerate digital transformation within their banks to meet rising customer expectations for hybrid experiences that bridge online and person-to-person options.

During the pandemic, banks played a critical role in keeping businesses going, supporting families with lines of credit, and innovating as quickly as possible to meet the challenges of a workplace turned remote overnight. The work is just beginning.

In the first half of this report, you'll get the top insights from industry leaders who shared their experiences of becoming a digital lender. You'll also discover how data, when properly managed, can lead to great insights that turn customer-facing managers into more effective advisors.

In the second half, we lay out the key considerations for you to start on the path of digital lending.

You'll read how to:

- Break down your business to identify pain points that can be addressed, one by one
- Select partners for digital transformation
- Develop a framework for realizing your goals for growth and meeting rising customer expectations

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# It's 2021. And it feels like everything has changed.

Yet some things are immutable. The need for banks to support their local customer bases and power economic growth is stronger than ever. Credit remains one of the most powerful tools to accomplish this — whether for individuals buying cars and homes or for entrepreneurs financing their next big business ideas. But the way we lead our lives has changed. Choices and vistas have opened, creating new possibilities in how we spend, borrow, and save — even as our physical world shrank. During the pandemic, we all learned how much we could do remotely. Homeowners refinanced mortgages, e-signing their way to lower interest rates. Small businesses found emergency relief on digital platforms created overnight. The banking industry worked around the clock to make it all happen.

**In the three years since the American Bankers Association (ABA) last explored the state of digital lending, customers have gone from viewing virtual offerings as nice-to-have to table stakes.**

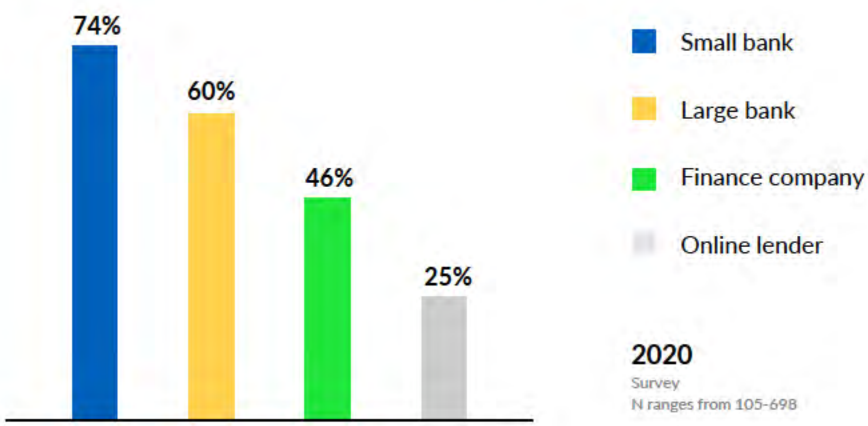
This shift parallels the way so many consumer-facing services have focused on radically improving the customer experience. We've gone from Netflix's "you might also like" to Instagram delivering shoppable ads with items they already know you like. The pandemic has accelerated the push to satisfy every customer itch before you even feel it.

At the same time, we have closely observed the rise of non-bank online lenders who use data and new tech to woo customers. Banks, however, hold an important edge: in a recent Small Business Credit Survey large banks achieved a customer satisfaction rating 35 percentage points higher than online lenders, while small banks outscored them by 49 points. That's not the only advantage banks enjoy. Their deposit funding model provides lower cost of funds that cannot be replicated without significant regulation. And they have humans at their core, ready to connect in a branch, on the phone, or virtually.

The story doesn't end here. The industry is in a state of change. Traditional banks are at risk of losing their competitive advantage if they cannot meet customers with the services they expect wherever they are — and that is everywhere. Desktop. Mobile. Tablet. ATM. By phone. In-person. Some call this a hybrid model, melding the human touch with digital efficiency. Whatever you call it, this model is the most powerful of all. Savvy retail disruptors like Warby Parker and Casper understand this. Even Amazon, the original standard-bearer for seamless virtual customer service, is testing physical stores to meet customers wherever they prefer. To compete effectively, banks must be able to bring their physical relationship model into the connected, digital era.

**Banks enjoy high satisfaction ratings, and can build on these with strategic digital offerings that are customer-centric.**

Net satisfaction over time (% of loan, line of credit, and cash advance applicants approved for at least some financing at source) Source →




**This report is designed to share insights into this new digital world of lending and provide a framework that can help you navigate the future you want to create.**

Lending is going digital. That's inevitable. The question becomes where banks fit in this changing world, and how their size, culture, and goals affect the answer. Technology costs are falling fast. Fintechs offer partnerships so banks don't need to overhaul legacy architecture.

For example, banks can easily white-label software-as-a-service products to expand their digital offerings. The possibilities are multiplying. The work of determining how to reconcile what works for you and your constantly changing customers has become even more urgent than before.

# The pandemic prompted a sea change in customer expectations

— and also changed the way banks see themselves.

**Four in five banking executives say their employees faced the largest and fastest change in human behavior in their lives as a result of COVID-19.**

What many would have expected to unfold over five years burst onto the scene in a matter of months. Suddenly, banks were forced to figure out how to give their people the tools to work from home and their customers the tools to adapt.

Customers did adapt, bypassing even ATMs in favor of their laptops and mobile phones. Baby boomers, who until 2020 lagged in digital adoption, upped their online game, with 68 percent skipping human interaction to make a decision about banking products, up from 55 percent before the pandemic. After a year of telehealth appointments, ordering groceries online, and playing virtual games with grandkids in different cities, digital banking was no longer a big deal.

Changes in digital habits aren't going away. Eighty-five percent of respondents in the KeyBank 2020 Financial Resilience Survey said they were likely to continue conducting some or all of their financial transactions digitally. Thirty-five percent said digital banking made them feel more resilient.

**68%**

**of baby boomers skip human interaction to make a decision about banking products online**

**85%**

**of survey respondents said they would likely continue some or all financial transactions digitally**

KeyBank 2020 Financial Resilience
Source →

## The pandemic highlighted how dynamic banks can be,

positioning them as economic first responders who stepped up to assist individual and business customers affected by the pandemic. Banks have developed numerous programs to help their customers and acted as a critical delivery mechanism for government stimulus programs.

Banks played a central role in delivering the Paycheck Protection Program (PPP) loans designed to give businesses the resources to keep their workforces employed through the pandemic. An ABA analysis of PPP loan data released by the Small Business Administration (SBA) found that the program had supported more than 51.1 million jobs as of June 30, 2021. Loans made by the nation's banks accounted for 95 percent of that total — an estimated 48.5 million jobs.

Banks can't rest on those successes. Increasingly, they are competing with the expectations big tech companies are setting for customer experiences. Those digital warriors are using everything from artificial intelligence and machine learning to 5G and artificial reality to create hyper-personalized experiences that many take for granted.

> **"Customers expect to now have the ability to submit a loan application without having to pick up the phone — if they prefer not to."**
> Tatjana Bobic, Director, Customer Experience at nCino

Fintechs can create intense competition by focusing on individual niche markets where customer needs are unmet. They can often leverage data more effectively and then execute superior experiences at a lower cost for impatient customers who feel three seconds is way too long to wait for a web page to load. While the first generation of fintech companies looked to "disrupt" banks, the current generation is more focused on powering banks and can be valuable partners.

## Matching customer expectations step-for-step

Eastern Bank, headquartered in Boston, MA, is one institution that is trying to match customer expectations step-for-step through a partnership with Monit to deploy a mobile-friendly financial assistant for small and medium businesses (SMBs). It securely connects to accounting software to give businesses a clear cash flow forecast, actionable views of financials that matter most and personalized insights. In turn, Monit's bank platform allows banks to deepen relationships with SMB customers, streamline portfolio management and personalize offers (e.g., digital lending and more).

Startups like Roostify, which focuses on home lending, are helping traditional lenders show more finesse in their interactions with customers by allowing them to harness new tools and data so they can reach new markets and digitize without assuming onerous overhead. Like Uber and Lyft, these dynamic partners are helping banks to find the simplest ways to connect those who need capital with those who have the funds to lend.

These partners can also help banks seize on embedded lending, an alternative offering meant to integrate credit products into non-financial platforms. This can make the loan process quick and painless — practically invisible. Embedded finance lets customers focus on their goals — hiring more people, installing new solar panels, or buying exercise equipment — rather than on loan applications or credit scores. The potential for embedded finance in the U.S. is huge, with an estimated lending market value of $1 trillion dollars by 2030. It's popping up in every corner of credit. Some online lenders offer nearly instant credit decisions to merchants on their platforms. Buy now, pay later (BNPL) loans often provide interest-free installment loans to customers, right at the point of sale. No wonder Square spent $29 billion on Afterpay, the Australian BNPL company, which will connect Square's Cash App with a new cadre of products and merchants while also boosting its sellers.

**But there is a risk to embedded lending — margins are thin, and the lender sometimes drops into the background. The customer sees only the retailer.**

## Taking a step closer to financial inclusion

Too many people in the United States remain unbanked or underbanked for many different reasons. Newcomers to this country face additional challenges in building a credit profile because lenders typically can't see their financial records predating their arrival to this country.

Nova Credit has transformed credit access for newcomers through the Credit Passport® — a U.S.-equivalent credit report and score that is assembled through a network of global credit bureau integrations. A Credit Passport® allows a newcomer who is otherwise credit invisible in the U.S. to seamlessly use their international credit history to get approved. Nova Credit has partnered with leading card issuers, banks, non-bank lenders, telecom companies and other institutions that have historically struggled to serve the newcomers segment.

Co-founder and CEO Misha Esipov came to the U.S. as a three-year-old from Russia and experienced the challenges of immigration. "Every year millions of people move to the U.S. and start out like second class citizens. This pool of newcomers drives over 50 percent of U.S. population growth and despite being of exceptional credit quality and exhibiting strong earnings potential, 100 percent of them are credit invisible when they arrive."

# Banker as advisor 2.0 — the leading edge of the hybrid model.

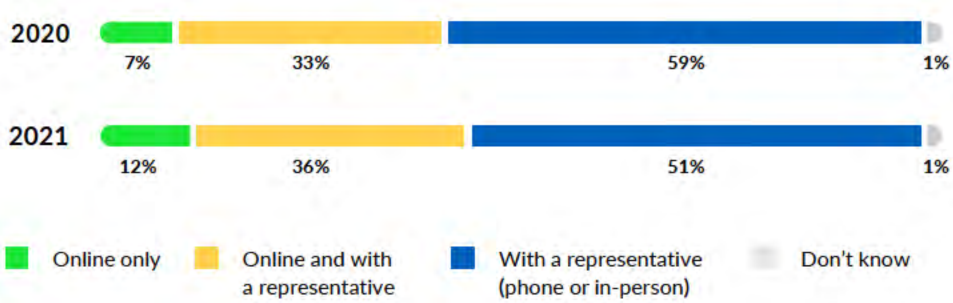
To be competitive in banking, we know that price and speed matter. They matter across segments, and they play a role in lender selection. But as customer expectations change and the diversity of banking options grows, price and speed aren't the only things that influence buyer behavior. Other factors include convenience, human support, and advice.

Fintech lenders are often winners in the convenience and flexibility departments but can be more expensive than their brick-and-mortar counterparts. Convenience sometimes trumps price.

Yet, online lenders fell behind in overall satisfaction scores. This was apparent both in the early stages of the pandemic in 2020 and as the pandemic continued in 2021, according to data from the J.D. Power U.S. Consumer Lending Satisfaction Study. Sometimes, a face-to-face meeting is more powerful and reassuring. "Customer service is not built into the model of these fintechs. It's all about the basis points and sometimes the loan is a loss leader. With SMB, it's not banking as a service, it's banking *with* a service," says Steve Swanston, Executive Vice President of Sales at Velocity Solutions, the ABA's Endorsed Partner for SMB digital lending.

Consumers still crave support, especially for major life purchases. That could be behind the surprising discovery of mortgage investor Fannie Mae: "Unlike other industries that saw a rapid acceleration in digitization due to COVID-19, it appears that digitization is proceeding at a gradual pace in the mortgage industry — buying a home is a major life decision, and many consumers are likely hesitant to move quickly to online channels."

**Home buyers still want human help when shopping for mortgages**
Survey of recent homebuyers on how they set up their mortgage, Fannie Mae →



## The march toward digitalization.

The march toward digital in mortgages was comprised of small steps compared to other aspects of banking and e-commerce, which surged by 42 percent from 2019 to 2020. Change was incremental. Home loan borrowers who once wanted to work only with representatives in person or on the phone were now willing to accept a mix of online and with a person; those willing to apply for mortgages online only jumped to 12 percent in the first quarter of 2021 from 7 percent a year earlier.

In other words, customers are more digitally savvy than ever before, but that doesn't always mean they prefer digital channels. **Across industries, savvy businesses are discovering that increasing their digital sophistication is a catalyst for advancing the sophistication of their customer representatives**.

Take banking and the recent Fannie Mae survey. Paperwork was essentially the No. 1 reason for mortgage applicants to prefer online options. That was true even before the pandemic, with 70 percent opting to submit documents electronically in 2018 and 69 percent in 2021. But barely half preferred learning about their loan options online and even fewer wanted updates online.

Banks that choose to increase their digital options and invest in upskilling their teams will then be able to take bank employees and turn them into valuable advisors who can support borrowers across digital channels and across products.

> **"Technology can help customers with convenience; technology can also help bankers be more efficient – giving them more time to spend with their customers, understanding their needs and helping them with value added solutions."**
>
> Ashley Nagle Eknaian, Chief Digital Strategist, Eastern Bank

## Meeting the customer when & where they want to be met

Blend, a Silicon Valley based technology company, offers a cloud banking platform that seeks to improve the mortgage, consumer lending, and account opening process. As Justin Schuster, Blend's Head of Marketing notes, "Today Amazon, Google, and Uber set the bar with the best customer experience and the onus is now on financial services companies to beat this."

With consumers having access to these ubiquitous platforms 24/7, they expect similar around-the-clock availability when applying for loans digitally. No longer constrained by having to find time in the day to apply in-person, Blend sees more than 50 percent of applicants apply outside of normal business hours, resulting in more requests and approvals.

**Commercial banks have been leveraging digital tools to free managers to spend more time with customers**

Accenture | Digitally Empowered RM Report | COVID-19 & the Commercial Banking Relationship Manager →

BUSINESS OUTCOMES

VALUE LEVERS

**More personalized, hyper-relevant customer management**

- Build primacy
- Build customer loyalty
- Improve customer satisfaction
- Increase cross-sell
- Increase customer acquisition

**More efficient ways of working**

- Reduce time to serve
- Reduce employee attrition
- Increase employee satisfaction
- Reduce disparate tools & systems

**10-15%** in revenue

**15-20%** in freed-up capacity for relationship managers

**10-20%** in the retention rate of high-performing RMs



Visionary banks are creating new positions for advisors or financial coaches who manage online interactions, bridging virtual and in-person experiences. They leverage data, analytics, and artificial intelligence to better serve customers, providing proactive and tailored insights throughout the customer journey.

> **Relationship managers have an important role to play in advising clients. When equipped with data and actionable insights, RMs can operate from a position of transparency that leads to trust, lasting relationships, and profitable conversations."**
>
> Will Furrer, Chief Strategy Officer, PrecisionLender/Q2, an ABA Endorsed Virtual Banking Platform Partner

This is not how customer-facing managers are operating at the majority of banks today, where there are in-person managers for advisory tasks and IT experts to troubleshoot online issues. The banks need to bridge that gap. "You need to balance the human and digital relationship. That's what will make the next cohort of banks unique," says Helen Sullivan, Senior Vice President at the American Bankers Association.

Digitally native millennials coming of age will be the primary applicants for loans over the coming years through 2027. Next will be Gen Z, a cohort that probably never touched a fax machine or knew a time when you couldn't FaceTime. But don't let their tech savvy fool you. Their expectations are for great service. They also view their relationship with the financial system differently than previous generations. They don't think of themselves as borrowers but rather as people who need a home or an education, or as entrepreneurs trying to expand or just stay afloat. Banks need to respond in kind. Their pitches need to go from: "Are you here for a loan?" to "What are your goals, and how can we help you reach them?"

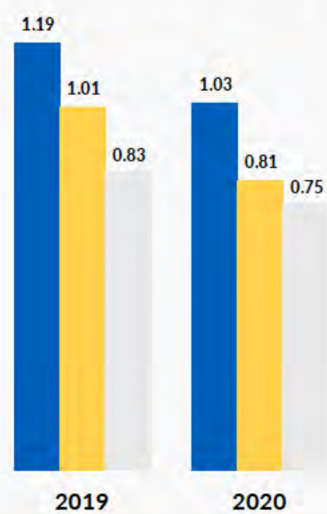
# The secret to growth: Going from product- to customer-centric banking.

**Bank customers are regularly running into legacy infrastructure.** Sometimes it's on the phone; or paperwork that requires them to enter their social security numbers in three different places and their phone numbers in five more. It's maddening. And it feels unnecessary. They can sign up for rental insurance on Lemonade in five minutes and order their Starbucks on the app in another two minutes; they can even score instant credit at the cash register from a store they've never visited. It's not unreasonable to expect equally smooth transactions with the financial institution that is holding the bulk of their cash.

It's all about getting back-end systems to speak to one another. "Banks have a mandate to create integration points between internal data," says Tyler Craft, Senior Vice President and Head of VirtualBank & Fintech at First Horizon Bank. Why is this so hard? Upgrading those systems is no small task. It can feel overwhelming, especially for smaller institutions. Will they get the ROI they expect? Is this change they can afford?

The drive to change must come from the top and pervade the bank, giving employees the will and courage to change. Who wants to call long-term providers and wish them adieu? And then also negotiate ending contracts early? Change brings disruption and upset to the routine. Long-tenured executives and front-line advisors may consciously or unconsciously undermine attempts to change, fearing they will become superannuated.

**In 2020, digital-focused banks achieved valuations 27% higher than digital-active banks**




Price-to-book-value ratio

- Digital-focused
- Digital-active
- The rest

Accenture Research on S&F Capital IQ Data
Values calculated as simple mean of 97 banks with P/BV data available in both periods

# Starting out on the digital lending journey doesn't have to be an intimidating, all-or-nothing play.

Given the vast landscape of vendors, banks can find partners who can help them excel in different areas. You can adapt one customer segment or function at a time. Here are some areas you can begin with:

**Family and individual finances**

A new generation of apps is taking a human approach to borrowers. Apps like Dave give individuals advances on their paychecks while offering a "Side Hustle" feature that helps them find gigs to earn more money. They also focus on helping users build strong credit histories. These kinds of apps put the borrower's needs in context and address the whole person. Banks can take advantage of this whole-person mindset with well-trained managers and digital partners that can make the actual loan application feel effortless.

**Home buyers**

Banks have a nice edge here: Home buyers are looking to streamline the paperwork, but they often want advice on what is typically the biggest financial decision of their lives. There are many platforms that are efficient and compliant that can help banks extend their home lending business. Banks can also get support from Finastra, which offers fully digital integrations.

**Entrepreneurs and small businesses**

Supporting small and medium-sized businesses (SMBs) has always been a core mission for banks. The SMB sector has many similarities to individual borrowers as business owners are often sole proprietors. The banking relationship-driven model provides an edge here too. These relationships equipped banks with the data and historical understanding of SMB clients to support these customers as they navigated the pandemic. Banks knew this and made sure they were available to originate loans throughout the lockdown; in fact, they originated 95 percent of PPP loan dollars.

**Car buyers; investors in equipment and other specialty needs**

Individuals and niche businesses with specialty needs, such as auto or equipment financing, expect to benefit from the move to digital. For example, auto loans signed on Dealertrack's e-contracting platform jumped 224 percent in March 2021 from June 2020. Lenders and lessors must do two things simultaneously if they wish to remain competitive: one, enable simple, online applications with streamlined data requests; and two, introduce auto-decisioning using artificial intelligence and machine learning to provide customers with quick answers. They are competing with the likes of Carvana, a fully digital experience that takes as little as 10 minutes for approvals.

**Enterprise business lending**

To remain competitive and support enterprise businesses, banks prioritized investments in digitizing the loan origination process. This optimized internal workflows and reduced the cost to serve. But the business-facing portal and digital interfaces remained largely untouched, especially compared to those of their retail counterparts. Banks should pivot their focus to customer-facing dashboards and tools that make it easier for financial and operating officers to get a complete picture of their credit in the context of their businesses.

## The unexpected benefits of digitalization

When it decided to adopt nCino five years ago, Regions Bank, headquartered in Birmingham, AL, was primarily focused on increasing efficiency and reducing operational risk. "The initial benefits were fewer keystrokes and more effective operations. At the time, we had less focus on what we could do with the data, though the additional benefits soon became clear," says Mike Mason, managing director and head of Corporate Credit Products at Regions.

A turning point: When the government launched the Paycheck Protection Program (PPP) to support small businesses struggling to keep up with payroll during the COVID-19 lockdown. Data turned out to be critical in helping Regions manage and assess applications; prior to the pandemic Regions typically closed SBA loans manually and at a rate that could not address what was about to happen with PPP. Fortunately, Regions had the right data ready thanks to its digital acceleration efforts, enabling the regional bank to facilitate more than 79,000 PPP loans totaling $6.7 billion in commitments.

At the front end, Regions deployed Salesforce to create an application portal. nCino worked behind the scenes, processing workflows before work moved downstream to in-house APIs that provided data directly to the SBA. Within eight weeks, the bank developed and launched a comprehensive, cloud-based Salesforce solution that not only made the process simpler, it also helped process PPP loan and forgiveness requests more efficiently.

It was a hectic time. But Regions was able to provide its RMs and customers with real-time updates on applications through its status portal, providing a level of visibility that borrowers don't typically experience with commercial lenders. "Digital does not have to be a complete overhaul – just adding simple tools to empower the customer can help banks build greater trust with their clients during times of uncertainty," says Nikki Stephenson, Regions' head of Commercial Credit Products.

**With the right data and leveraging existing technology, local banks can provide new insights to customers in a digitally savvy way.**

## Helping customers do the smart thing

Passumpsic Bank is a community bank with a mission to support the needs of its customers in Vermont and New Hampshire through its 11 branches. With roots going back 167 years, Passumpsic was determined to stay in the consumer market even as many of its peers ceded this sector to fintechs, says Jim Kisch, President and CEO. So the bank partnered with Kasasa, a fintech and marketing provider, to help find a way to support customers in successfully managing their debt.

Kasasa had previously conducted research showing consumers don't understand debt very well. This was an "a-ha" moment. Passumpsic began offering borrowers Kasasa's Take-Backs™, which enable them to put aside extra money to repay their loans more quickly. But borrowers get an extra layer of financial security: They can withdraw the money they repaid early.

The results have been striking. The Kasasa Loan® currently generates 33 percent more loan balances per borrower than traditional loans at Passumpsic Bank. Additionally, Kasasa Loans® have a 35 percent lower delinquency rate than that of its peers. And consumers say they have an emotional connection to Take-Backs™ and are asking whether they can use the system for other loans, leading to great cross-selling opportunities. Passumpsic Bank says they find new customers knocking on its doors because of the new offering. "We want to put the community financial institution front and center because we know that consumers trust them more," says Gabe Krajicek, CEO of Kasasa.

**With the right vendor partner, local banks can find innovative ways to serve their communities.**

# Regulatory considerations.

Banking is among the most highly regulated industries in the U.S. and banks are subject to proactive supervision by an array of state and federal regulators. This close, ongoing, multi-layered scrutiny can slow down banks' efforts to innovate, integrate, and deploy new technology.

Regulators focus on ensuring that banks operate in a safe and sound manner and carefully manage any risks associated with new products, services, and vendors. Increasingly, regulators recognize that meeting the needs of customers and communities requires flexibility to innovate and offer digital products, but that antiquated regulations impede this. Below are some of the key regulatory concerns around digital lending products.

**Managing the risks of artificial intelligence (AI)**

AI is already adding efficiencies in banking that are expanding the availability of affordable credit to more Americans at a variety of economic levels. This has the potential to help low-income applicants and those with minimal or no credit records. Banking regulations today are addressing the risks associated with AI and banks are moving carefully to avoid any unintended consequences. Given the novelty of AI applications, the industry is looking for even greater clarity in the regulatory framework to facilitate further use of AI in credit underwriting. For more information see the ABA's comment letter on request for information (RFI) on AI.

**Imprecise rules for electronic signatures (e-sign)**

Digital lending relies heavily on electronic signatures to close loan documents online. In 2000, the Electronic Signatures in Global and National Commerce Act (E-SIGN Act) was signed into law, giving electronic consent the same legal force as a wet-ink signature. This act included a vague requirement that allows companies to rely on electronic signatures only when a consumer has "reasonably demonstrated" their ability to receive the electronic disclosure. While E-SIGN is widely used and accepted, this requirement makes for a clunky customer experience. In February 2021, legislation was introduced in the Senate (S. 4159 E-SIGN Modernization Act of 2020) that would provide clarity around this topic and better enable banks to make digital loans. For more information see the ABA's E-SIGN issue update.

**A hodgepodge of rules for remote notary**

To authenticate loan documents, banks and customers often need to rely on notary services, traditionally performed in person. Today, there are many services that allow customers to connect with a notary and authenticate documents via audio and/or video communication. Despite these advances, notary laws are typically implemented at the state level. Banks should be sure to check state remote notarization laws before accepting documents that have been notarized remotely.

**More rulemaking for data access**

The regulators have issued a request for information (RFI) exploring the development of data access in 2021 and plan to undertake further rulemaking in 2022.

This is a crucial issue. Many new lending products rely on access to a customer's financial data. In recent years, banks and technology companies have invested in new infrastructure that uses APIs to give customers more security, transparency, and control when they share their financial data. This is a step up from the old "screen scraping" techniques of the past.

In 2017, the Consumer Finance Protection Bureau (CFPB) issued a set of principles that have allowed the market to develop, but we expect the CFPB to go further by prescribing rules to supersede these market solutions. For more information see the ABA's comments on consumer access to financial records.

**Identifying the true lender**

The Office of the Comptroller of the Currency (OCC) is working on the definition of a true lender in order to "differentiate between harmful rent-a-charter arrangements and healthy partnerships that expand financial inclusion." Until this is settled, the ABA expects that courts will consider a "true lender" to be the party that has the predominant economic interest in the loan. For more information see the ABA's letter to the Senate on the matter.

**Vague online mortgage rules**

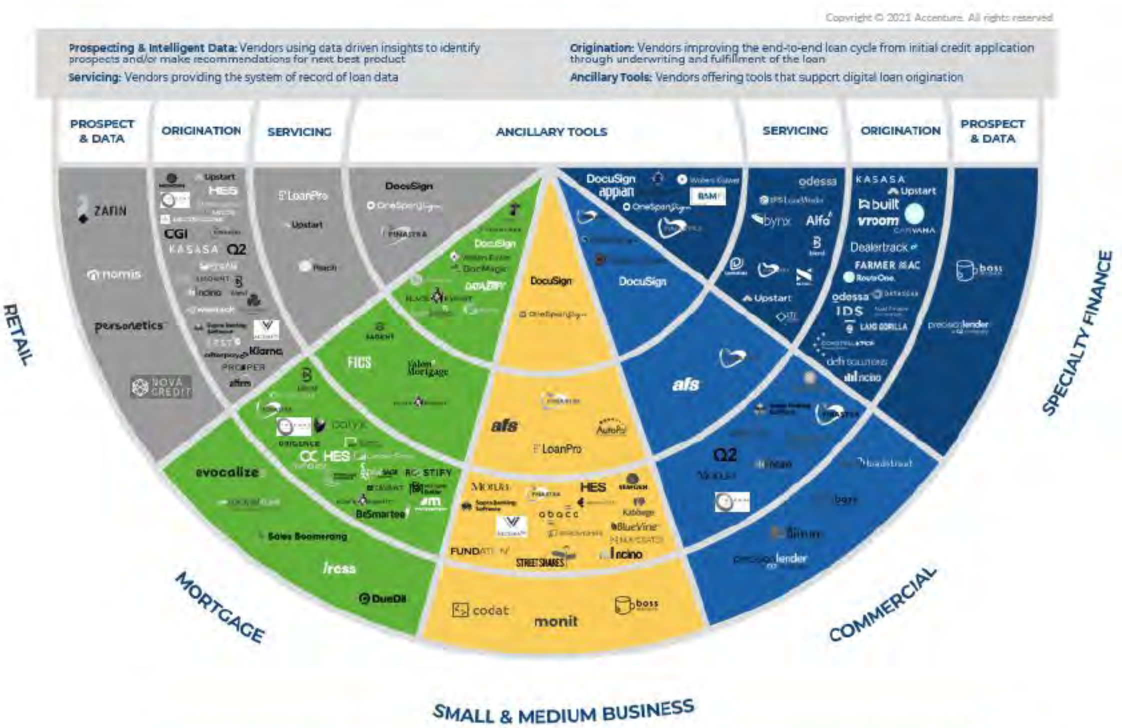
As home loans have moved online, the vague regulations for this new mode of business and communications make compliance uncertain and risky. Violators of this complex maze of rules are subject to big fines, even possible imprisonment. The regulations that govern the mortgage market are longstanding but haven't been updated since the Dodd-Frank Act that came out of the 2008-09 financial crisis and require new layers of disclosures and consumer protection. For more information see page 10 of the ABA's letter to the Bureau on the matter.

# Getting to a digital-driven lending model in a way that's right for you.

Banking is exploding with new entrants who can help banks both large and small bridge the digital divide. Depending on your needs, you can find vendors who can improve onboarding, simplify lending applications, or create user-friendly dashboards for employees and customers. It's a big job identifying who can help where you need it most.

> **You don't just want a vendor, you want a partner. You want to work with a team that understands your people well. The human component matters."**
> Ashley Nagle Eknaian, Eastern Bank

**Banks looking to go digital can draw from a rich ecosystem of vendors[1] to help them become more customer-centric.**




ABA Endorsed Providers

[1]This graphic is for illustrative purposes only and does not exhaustively represent the ecosystem.

# The right vendor can improve customer retention and acquisition.

| | | |
|---|---|---|
| | **Buy vs. Build** | If you are buying, be clear whether the solution is out-of-the-box or if you will need extensive customization or configuration. |
| | **Open Architecture** | Be sure to ask the vendor whether the product can connect with your systems already in place and has open APIs. |
| | **Security / Data & Regulatory Protection** | Be sure both you and the vendor understand the regulatory environment. (If things go wrong, this will be the bank's problem.) |
| | **Professional Services** | The partner can play a pivotal role in nurturing change within your organization. This requires skilled professional services teams. You will also want to forge a relationship that supports both growth and the flexibility to make changes, if and when needed. The contract should embrace these options. |
| | **Vendor Business Model** | Understand the vendor's business model. Is it a licensed product that will continually be updated? Or is it a standalone solution that you pay for once and integrate into your existing ecosystem? |
| | **Vendor Roadmap** | What does the vendor development roadmap look like? Be sure to discuss the vendor's planned enhancements and understand how they may align with your bank's strategic goals. |

# The time to get going on digitalization is now. It's a continuous process.

The banking industry has commanded high levels of satisfaction in helping customers find liquidity to make their lives better, richer, and more rewarding. The branch system, which many now consider to be antiquated, has made lenders integral members of the community through their steady presence. Now customers are looking to banks to become adept at a hybrid model, supplying a human touch when needed and speeding the routine and the ho-hum with digital solutions. Your employees expect it as well. Data at their fingertips, with insights, can enable them to personalize service in new and sometimes unexpected ways.

Where to start? The journey for each institution will be unique. We prefer to think of the path to digital empowerment in terms of a framework. It begins with defining your mission and goals and thinking about how to achieve them in ways that are compliant and customer-centered.

Consider these actions to get going:

**Get to know the landscape and adopt a mindset of continuous learning**
The technology is in motion, getting better, faster, and smarter. So are your customers. They are looking for you to guide them to the new in digital lending. This can strengthen bonds, because customers will trust you to lead them confidently into a better future — often with better priced offerings. In practice, this means seeking out opportunities to watch new vendor demos and meet new people to learn from. According to both Trey Maust, co-founder and Executive Chairman, Lewis & Clark Bank, and Tyler Craft of First Horizon Bank, this activity is not optional. "It's an imperative to understand where the industry is going," Maust says.

**Identify strategic business goals and align on targeted business outcomes**
What do your customers need that you aren't supplying yet? How are your competitors meeting those needs, if at all? Prioritize the areas where you feel you can excel to the benefit of the people you serve. Then translate this into your business goals, e.g., bigger share of wallet or more of one kind of loan in your portfolio.

**Get leadership buy-in**

Digital transformation is not just a box to check. It's an ongoing process that requires leadership buy-in from the top down. Some technology partners may want to move faster than banks are accustomed. They may fear going digital is just another way of saying your advisors are no longer needed. To get everyone on board with change, you need an in-house digital innovation champion to help everyone share and contribute to your vision. Only in that way will you create better, faster, more inclusive lending opportunities that are responsive to human intervention that is much more personalized and powerful because of the data your advisors can leverage.

**Look at your ecosystem and understand how any changes will course through your tech stack**

What's under the hood may not look beautiful, but odds are that it's working — although perhaps not optimally. Introducing new technology requires great care. If your house is too small, you can't just add a new room without thinking about heating and cooling; how people go in and out of it; and where the addition leads to. Just so with the move to digital capabilities. It's not enough to seek out digital solutions for the greatest gaps and weaknesses in your operations. Going digital isn't a silver bullet. For example, a new lending origination platform won't speed up the "time to yes" if you stick to antiquated underwriting processes. You need to understand how new technology integrates with your existing ways of working and adjust where necessary during the implementation.

**Be tactical in building out your architecture**

What do customers complain about the most in the lending experience? Are they filling out forms with the same information over and over? What do your employees find most vexing? They may feel applicants are good risks but can't quantify this in your current system. Tally up the pain points and rank them. Then look for solutions that will reinforce the weakest parts of the process.

**Partner to execute; identify quick wins and "no regrets" investments**

Going digital is a journey. It's not all or nothing. Legacy platforms can take time to overhaul from top to bottom. But you don't have to wait a year or two to start making changes that your customers will appreciate. Outside partners can help you implement out-of-the-box offerings that won't disrupt your long-term goals yet will quickly delight your customers.

The opportunity to build on the goodwill banks have forged with their customers is huge. Digital lending can help you become more valuable to your customers. It can also be good news for your employees, who will appreciate the tools that help them do something much more important than just providing a loan. In the end, they are helping people of all stripes to move through life, to take on the next challenge, to give shape to the next ambition.

**It's not the wave of the future, it's a necessity for now.**

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## About the American Bankers Association

The American Bankers Association is the voice of the nation's $22.8 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard nearly $19 trillion in deposits and extend nearly $11 trillion in loans.

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Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services — all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 624,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

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