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What Will Lending's Future Look Like?

There's No Single 'Right' Answer to The Big Questions in Digital Lending

By Craig Austin
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Having spent much of the past year interacting with credit union executives in both formal client settings and at major tech-user events, I know there is broad consensus within the industry that digital lending is the future. Where there is less agreement is what that future will look like and how to go about achieving it.

From credit union to credit union, opinions and strategies diverge over what is the right balance between digitization and the customer experience and whether end-to-end transformation is the only way to harness the power of digital lending.

Currently, FirstClose is working with dozens of credit unions, helping them to differentiate and dramatically

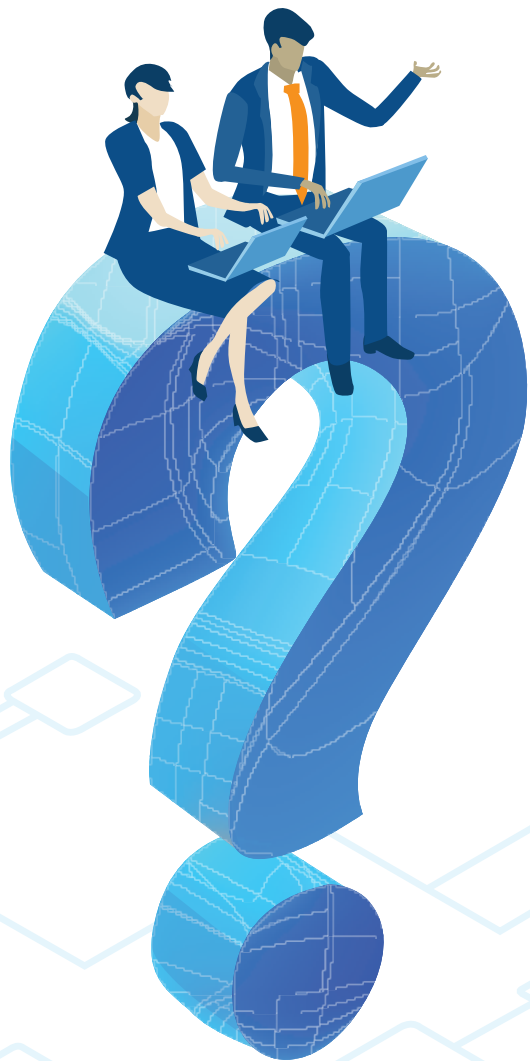
improve the efficiency of their home equity lending programs. Increasingly, we're seeing our clients fall into one of two "camps."

EVERYTHING THAT CAN BE AUTOMATED SHOULD BE. OR MAYBE NOT.

The first believes that everything that can be automated, should be. Their

goal is to provide a seamless end-to-end borrowing experience in which the member is guided through a self-serve process that can be entirely remote. (A subset of this group shares the same ultimate vision, but for various reasons — usually a lack of resources — they are taking an incremental approach, building out their solution one component at a time.)

The second believes their members want a more traditional, "personal" in-branch origination experience, and so they aren't tampering with the front-end of their home equity process. Instead, they are digitizing their back-office and vendor management processes to significantly reduce turn times and take cost out of the process.



Interestingly, both "camps" strongly believe that their strategy offers the superior member experience.

Let's look at some examples.

START AT THE FRONT-END MEMBER PORTAL

For credit unions looking to provide an end-to-end experience, the starting point is usually a front-end member portal, akin to the point-of-sale systems that have been cropping up in the first mortgage sector. These portals — ours and others — let members get an initial sense of how much tappable equity they have in their homes, whether or not they will most likely meet their credit union's underwriting guidelines and what loan options they might qualify for. Armed with this information, the members then determine whether or not they want to take the next step in the origination process: the application.

The application and virtually all interaction with the credit union can usually be done online using these new platforms. This includes giving consent to collect and verify income, asset and employment information, uploading documents and responding to questions from loan officers or processors. So, depending on the member's personal preference, the entire process can be done, including closings, remotely, assuming the credit union and state regulations permit.

THE NEED FOR SPEED

The home equity landscape is becoming increasingly competitive and one of the major differentiators, in addition to ease of application, tends to be speed. Credit and preliminary valuation decisions that used to take days or even weeks are now being telescoped into minutes.

Recently, a large state-wide credit union adopted an end-to-end digital home equity

platform to meet the demands of its more than 150,000 members. The credit union's goal is to transform the whole home equity process from initial inquiry to finish to as fast as one week (depending on whether it is a HELOC or HEL transaction) versus the average of 45 to 60 days.



Increasingly, credit unions are falling into one of two "camps" when it comes to digitization.



"Operational efficiency is key to sustainable, long-term member satisfaction," said a top executive at this credit union. "Our members deserve an elegant, streamlined front-end vehicle to apply for a home equity transaction and achieve transparency. It puts us in a better position for those challenges and demands for future success."

In 2021 Sharonview Federal Credit Union implemented a new home equity platform with a POS and settlement services ordering capabilities throughout its 18 branches in North and South Carolina. Since then, the credit union has seen a significant increase in both cross-sell opportunities and borrower satisfaction scores. "The buildout of the Digital Lending Platform has been nothing short of exceptional. We have already forecasted an 80% increase for our home equity pipeline," said David Brand, Sharonview's Chief Lending Officer.

A BEST-OF-BOTH-WORLDS APPROACH



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At the other end of the spectrum, credit unions like Winston-Salem's Truliant, are taking the best-of-both-worlds approach to home equity. Truliant is a full-service credit union with more than 30 branches across North Carolina, Virginia and South Carolina serving more than 300,000 members. The credit union originates home equity products in-person in its branches. It has addressed its members' home equity experience by focusing on the back-end of the

process by investing in technology to automate settlement services ordering.

"As our home equity transaction volume continues to surge year-over-year, technology has allowed us to cut costs and standardize our home equity lending process across all channels," said Jackson Braswell, Truliant's Director of Credit Administration. "We pride ourselves on having a 'members first' attitude, and by implementing [new] technology we've been able to drastically improve our members' borrowing experience and ultimately get them their funds in days rather than weeks."

CREDIT UNIONS ARE IN A UNIQUE POSITION

The bottom line is that credit unions are in a unique position to capitalize on the growing home equity market, but they need solutions that will help them make these transactions profitable and at the same time delight their members with a superior customer experience. In some cases, these solutions will be end-to-end, digitally transformative initiatives. In others, they will be more like plug-and-play exercises that can focus on a single component, like an advanced ordering platform.

There are two different approaches to digital home equity lending. One is more of a traditional digital journey requiring a larger budget and a 3-to-6-month timeframe. The other is a more focused approach that can be implemented in a matter of weeks, depending on the vendor selection. But both approaches are changing the future for credit unions and most importantly, benefiting the members they serve. ▲

Craig Austin is Chief Revenue Officer for FirstClose, a leading fintech provider of data and workflow solutions for HELOC and home equity lenders nationwide. He is responsible for leading new and existing customer initiatives.



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