

> today's enterprise lending: more than just a loan

Cecilia Janos, Director of Product Strategy for Fidelity Information Services, comments on how market conditions and consumer demands are challenging the traditional boundaries of retail lending

Lenders are facing considerable challenges: ever increasing competition both from traditional lenders and new entrants; greater consumer sophistication driving the need for new products, cost reduction, operational efficiency, and anytime, anywhere access; while Basel II is emphasising risk mitigation. These challenges require lenders, to re-think their approach to critical business and technology issues.

Traditionally, financial services companies have implemented a siloed approach to their lending businesses, managing different lending, separately. Some lenders' strategy will be to remain niche marketers, using specific systems. But, this approach no longer aligns with many lenders' goals of increasing "wallet" share and reducing costs while introducing innovative products in response to demand.

Today's lending strategy requires a seamless enterprise-wide technology platform. Solutions that fully support lending processes from point of sale through to asset disposition. Lending has tremendous profit potential, but because consumers no longer display significant loyalty, an enterprise-wide lending approach becomes a competitive differentiator.

The transition to enterprise-wide lending begins at the first customer touch-point – the loan origination process. The relationship between a borrower and lender is more powerful than that between a consumer and the bank's deposit division. Today's consumers are less tolerant of organisations that do not acknowledge their total relationship potential. Mortgage lending, in particular, has the opportunity to create a long-term relationship between borrower and lender.

The loan origination process is a valuable source of detailed customer information. The information captured becomes the basis for life event cross-selling. Comprehensive loan origination systems with once-only data capture, delivery channel options such as the Internet, paperless information flow, workflow automation, and analytic capabilities are crucial. Origination process automation

ensures compliance with regulations and risk policies while improving customer service and operational efficiency.

Loan processing is the system of record and the central administration point from funding to loan maturity and reporting. Integration between the loan origination process and the core lending system is often less than optimal. This lack of integration is compounded by acquisition strategies that have resulted in multiple lending subsidiaries running disparate systems. Removing manual processes with a single system and improved integration techniques will result in significant cost reductions.

Lenders are focusing on product innovation. Many proprietary lending systems inhibit the lender's ability to quickly offer new, flexible products. Lenders are looking for a product factory that allows them to create complex products with competitive interest rates, often tightly coupled with insurance and deposit or brokerage offerings, with minimal IT support.

From IT's perspective, creating an enterprise-wide lending platform is challenging. IT management, are looking for a scalable 'world-class' processing platform on which to consolidate for cost reduction, while maintaining the product diversity of the vertical business lines.

Banks saddled with ageing lending systems will have difficulty making the transition to a new enterprise lending model without making a decision to upgrade existing systems. Current economic conditions and the rich functionality of package loan applications have changed decision-making dynamics. Lenders are demanding that IT departments deliver new functionality at a rapid rate. Package applications with the ability for adjustment for individual customers, combined with cost and maintenance savings over time, provide ROI more quickly than slow and costly in-house development.

The lending market is undergoing significant changes. Lenders who approach this new market with an enterprise-wide approach will be in a position to reap significant benefits. **bt**



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