The Evolving Digital Lending Landscape

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In record numbers, consumers and small businesses alike are getting the short-term loans they need from online, non-bank lenders, like LendingTree and OnDeck. These lenders, which automate the lending process to provide easy application, immediate approval and rapid delivery of loans, have doubled their outstanding portfolio balances every year since 2000 and outpace bank and credit union lending[1].

The dramatic success of non-bank lenders led industry advisory firm Bain & Company to say, "Banks need to accelerate investments in digital lending if they are to avoid a material decline in profits and loss in market share." This technology allows banks and credit unions to offer loans – for example, small business loans under $100,000 and consumer loans under $50,000 – online and in minutes from their website or via mobile phone.

For the past 20 years, many community institutions stopped making these short-term loans altogether, because the cost to underwrite and service them far outweighed the income to be earned. However, thanks to third-party digital lending experts, banks are now able to offer these loans to their customers via end-to-end technology that automates the entire loan process. This type of technology platform streamlines the entire lending process – from application and underwriting to set up, review and renewal – reducing the expense of processing and managing a loan from approximately $2,400[4] to $100[5] or less.

The efficiencies this technology provides can give an institution the opportunity, with only minimal effort, to re-capture loans previously lost to other funding sources, while improving customer service and reducing costs.

Additionally, with the right digital lending platform, the institution is able to utilize its own underwriting and risk-rating standards to manage risk and security. And because the institution controls the technology, it is able to keep all of the loans on its balance sheet as working assets, unlike partnering with Fintech companies, which typically retain ownership of the loans.

With the right digital lending strategy, your institution can profitably compete with non-bank lenders that are re-defining the loan process at your expense.

To learn more about the importance of innovating with digital lending technology, attend the session, "The Evolving Digital & Mobile Lending Landscape" at the upcoming IBANYS Lending Conference on May 9, 2017 in Syracuse, NY.

You can also download, "Be Like Uber (not like a Taxi) (http://info.bsgfinancial.com/download-be-like-uber-playbook)." It outlines how digital lending can:

- Grow your loan portfolio
- Monetize and strengthen your current relationships
- Enhance your institution's digital strategy

1 http://newsroom.transunion.com/transunion-analysis-finds-fintechs-outpacing-traditional-lenders-in-personal-loans-issued-to-nearprime-and-prime-borrowers

2 https://www.scribd.com/document/268857182/Goldman-Shadow-Bank-Report-May-2015

3 http://www.ey.com/Publication/vwLUAssets/ey-alternative-lending/$FILE/ey-understanding-alternative-lending.pdf

4 BAI Banking Strategies (https://www.bai.org/banking-strategies/article-detail/making-small-business-loans-profitably)

5 R.C. Giltner & Associates, LLC

Trevor Knott is a strategic marketing veteran who has spent much of his 20-year career developing marketing and distribution products and services for top-tier banks and suppliers to the banking industry. Trevor focuses on developing new client relationships, forming industry partnerships and advising corporate marketing activities.