

Borrower Experience Today: What's now expected, and why it matters for your bank

June 22, 2018 by Steven Martin, Sageworks

There's an app for nearly everything...except, it seems business and middle market lending. Banks are falling short at many points across the borrowing experience, but thankfully there are some tried and true technologies that can make the borrower experience much better.

WHY THE BORROWER EXPERIENCE MATTERS

For many financial institutions across the country, time stands still and borrowers and bankers are forced through a clumsy process for loan applications. For the longest time, that was regrettable, but it never seemed to be the most urgent problem at a bank. Until now.

Now many banks are facing competition with others who are improving the borrower experience, and borrowers have been shown how it could be done by the fintechs and alternative lenders who have moved into the market. Taking into account the average small business borrower might make applications to three different places, the slowest or least convenient bank won't win the business.

On top of that, expectations for speed, convenience and transparency are higher than ever, thanks to the digital transformation of the rest of our modern lives. Consider:

- Amazon – at a push a very few buttons, consumers can shop for a great price, read reviews, get recommendations, buy and expect delivery the next day. (Not many lenders can boast about an Amazon-like digital lending experience.)
- Airbnb – Users can tap into alternative providers of great properties. They can read reviews, correspond with the host and get a great deal. (That level of service and intimacy is found primarily with smaller banks who take the time to talk to borrowers.)
- Lyft – Travelers can instantly request a service using their phone and be picked up in a few minutes. They don't have to tell the driver where they are going, and they are not fumbling for a payment. Users of the app can personalize receipts and turn them into expense reports. (No banks have this level of frictionless interaction.)

The point of all this is twofold: first, your borrowers live in this world and expect you to provide a similar experience. Second, this world can inspire all of us to re-think our own borrower experience systems.

WHAT THE BUSINESS BORROWER EXPECTS

The research is clear on this. Borrowers are essentially looking for three things:

- Speed – how fast can I find what I'm looking for? How quickly will you get back to me? When can I close?
- Transparency – transparency simply means sharing as much information as you have... about the process, about the concerns, about pricing

- Convenience – how easy or hard you make the interaction will determine how convenient you appear to the borrower. Every step counts: your website’s information, the number of fields required for data entry, paper vs. digital submissions, etc.

Once we realize this is what borrowers want, the good news is that we can deliver this experience in a lot of different ways. Maybe your bank is more old-school on the technology side; you can make up for it through truly exceptional service by long-tenured, informed staff.

BANKS HAVE EXPECTATIONS, TOO

While borrowers have expectations, banks do, too, and they are generally based on the banks’ strategy. Each bank may have its own strategy, but all share these three common aspirations.

1. Inside the credit box.
2. Profitable loans.
3. A scalable business.

We’re looking for businesses that align with our credit appetite. We’re looking to price deals fairly and deliver our services as economically as possible to optimize profits. And we want our operation to scale and deliver services efficiently. The more we maximize these aspirations, the more successful we will be.

FINDING YOUR SWEET SPOT

So, is there a world in which our borrowers’ wants match our wants? Of course! You knew where this was going, didn’t you? A two-by-two matrix, where happy customers and happy bankers live in the upper right box.

Unfortunately, many banks seem to struggle in the other three boxes. They don’t have the processes, tools, staffing or technology to pull this off yet. If you identify with one of these other boxes, you are not alone; most every institution struggles with delivering a truly excellent experience.

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