ABA Bank Marketing

Borrower Experience: How to avoid falling short

July 16, 2018 by Steven Martin

Business borrowers today have high expectations for their financial institutions. They want speedy processes, digital options and responsive service. And if banks expect to compete and grow, they should be examining the pain points in the borrower experience they provide. A satisfactory borrower experience cuts across the entire process—from the initial search through the funding of the loan—and all the steps in between. Here's what you need to consider.

Start with the borrower search.

Improving the borrower search is one of the easiest areas to optimize without investments in new technologies. So it's a mistake to overlook it when designing a business lending process.

Consider the kind of helpful information business borrowers are looking for. At the earliest stages, borrowers need to know:

- Whether you lend to their industry
- What you have on offer
- How things work

How you communicate these details will provide a first glimpse into whether you're a good bank to work with.

It's not just the website that needs to be considered. Borrowers often rely on friends, family and advisors to get information. Some banks have found cultivating centers of influence—such as CPAs and attorneys—as one way to improve the borrower's search process and drive the right traffic to their bank. Banking centers are another obvious place to share information with borrowers.

Outbound marketing campaigns should be specifically focused on prospects that align with the bank's target industries.

By being clear with the market, you may limit the number of applications that won't work for you, thereby freeing your staff from processing applications that won't get approved.

Avoid application aggravation.

The application process can be a minefield of potential pain points for the borrower. Even now in 2018, many banks still struggle with how to collect information in a convenient way. Here's a list of ways, from least convenient to most.

- **Paper applications –** The most inconvenient method for the borrower but also an efficiency-killer for the bank. Paper apps need to be transcribed into a system, and many banks struggle with managing the paper (scanning, indexing, storing, etc.).

- **Fillable forms –** This is more convenient for the borrower, but not much better for the bank.
- **Real fields on a website –** This is often a good first step, and many banks have found ways to connect the fields a customer fills in directly with their loan origination system.
- **Dynamically created data entry systems –** This capability has been widely used in mortgage and consumer lending and is only now starting to be used in business banking.
- **Prefilled forms –** This is by far the most convenient method for the borrower, and it can be a great differentiator for the bank. When the customer has a pre-existing relationship with the bank, why ask them to complete fields for which you already have the answer?

The application process can also be optimized to eliminate unfeasible applications quickly and without much effort. For example, if a borrower's industry or geography falls outside of the bank's credit box, the application can be stopped early. Likewise, good application processes can detect fraud early and prevent the application from proceeding.

Make better, faster decisions.

It's also a mistake to take too much time turning around a decision and terms on a loan. These delays have consequences.

- Creating anxiety for the borrower
- Allowing time for competition or alternatives to gain an advantage
- Chewing up internal resources

You also risk creating ill will on top of the decline, if the decision is "no" and the applicant had to wait a long time to find out. When the answer is no, make an effort to explain to the applicant what they can change to get an approval the next time. That's good customer service.

But a key to growth is to make decisions faster. Consider the technologies and processes that can make that possible.

Provide transparency into diligence and docs.

Every lending situation is different. If your loan requires more diligence and specialized document creation, you could be adding time and frustration at this stage, too. Sometimes it's the appraisal that takes a while. Sometimes the borrower contributes to the delay. But it doesn't matter who is causing the delay—the borrower experiences it as part of your process.

Transparency is your best option for improving the borrower's experience during due diligence steps. For example, if you are ordering an appraisal, share with the borrower what steps are involved, because most borrowers simply don't realize how many steps there are. Then keep the borrower informed of the status: appraiser selected, appraisal scheduled, appraisal reviewed internally.

That way, borrowers can keep up with the process and understand that the bank is not dragging its feet.

Loan documents are another source of annoyance for borrowers. Banks should focus on avoiding mistakes by having high data integrity and quality checks, eliminating as many physical signatures as possible, and looking to reduce and simplify the number of documents.

Booking and funding

This last phase is actually working fairly well at most banks and therefore may not need much attention. However, it is worth noting that the best funders out there now are depositing money into accounts the same day or next day. This is the speed borrowers are looking for. By tackling each point of friction in the process based on these borrower expectations, your institution will be best poised for improved loyalty and growth.

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