How Digitalization Improves the Commercial Lending Experience

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Commercial lending has always been an important focus for banks and credit unions, with business customers typically managing higher deposits and having greater profit potential. As a result, commercial loan officers traditionally build trusted, long-term relationships through years of collaboration, often developed throughout ongoing, in-person engagements. However, like nearly every other industry, commercial lending is experiencing digital disruption in ways that are fundamentally transforming the way banks onboard and service business clients.

Corporate clients, from the largest enterprises to small mom-and-pop businesses, demand easy, fast and digital-first interactions with their banks. Competition from fintechs, embedded finance players and neobanks is pressuring traditional banks to truly reimagine the customer experience in business lending. More and more financial institutions are looking to technology to differentiate themselves with a superior customer experience.

As evidence, Citi announced a 40% technology investment increase in May 2022, with a focus on improving client onboarding and servicing in its corporate banking division.

"On the commercial and institutional banking side, the competition is always fierce," explained Brad McGeown, VP, Financial Services Strategy for Smart Communications. McGeown has spent 25 years leading IT initiatives on both the consumer and commercial sides of one of America's largest banks. "Even though a business might be working with its primary bank, whenever an organization comes for a loan, that bank is competing against multiple other organizations, including fintechs."

Over the past few pandemic-dominated years, commercial lending has remained relatively flat, with businesses wary about economic uncertainty and benefiting from government stimulus programs, such as the U.S. Paycheck Protection Program. During the first half of 2022, though, commercial borrowing began to rise, along with interest rates. Indeed, American Banker, JPMorgan Chase, Citigroup, U.S. Bancorp and Wells Fargo all reported robust commercial loan growth.

Differentiation through customer experience

Stiff competition in commercial lending means that banks need to find ways to differentiate themselves. For some banks, that has meant focusing attention and investments on making the overall experience of seeking and obtaining a loan easier and faster.

In its recent report about top commercial banking trends of 2022, consultancy Capgemini noted that using automation to simplify and improve commercial business processes was a top imperative.

Capgemini argued that recent digitization investments that have improved retail banking are spilling over to the commercial side.

In fact, the report cited data that 95% of commercial banking clients who use digital retail banking services expect the same experience on the business side and that banks are struggling to meet those expectations.

A growing body of research demonstrates that business customers unhappy with their banking experience are more than willing to look elsewhere. In a report about the accelerating digital transformation of commercial lending, consultants at Deloitte put it bluntly:

> **"Clients are often willing to switch if their expectations are better met elsewhere. Banks need to keep pace and originate, decision, and close loans faster while offering a frictionless client experience."**

In addition, Accenture's recent report about the top commercial banking trends of 2022 underlined the dissatisfaction felt by many customers, particularly small businesses. The company reported that less than 10% of small-business customers are happy with their business bank accounts and that two-thirds of small businesses still use retail bank accounts.

Reimagining a manual, paper-heavy loan process

While improving the experience of business clients seeking loans is obviously a smart objective, traditional commercial lending is time-consuming, inefficient and error-prone. Commercial lending often requires negotiations, bespoke underwriting, and complex terms and conditions; in some cases, loan applications have unique compliance requirements as well, such as regulatory reporting about the borrower's demographics.

Traditional PDF forms or manual Word-based agreements can lead to data errors, which take time to resolve and can erode trust. McGeown recalled plenty of instances when bank representatives collecting information from a business seeking a loan had to call back to fill in gaps or correct errors. "Two weeks after you've taken the information, you have to call them back and say, 'Hey, we didn't quite get your DUNS number,'" McGeown said. "I have seen it in the past where the onboarding part of the application process was just too cumbersome, and it made the potential customer ill at ease and wonder how the long-term relationship with the bank would go."

"The main problem is that the process of getting a loan can be very paper-intensive. It requires a lot of back and forth, a business has to provide a lot of information to the bank for the underwriting, and a lot of these transactions are custom. What businesses want, though, is to get the financing as fast as possible and with as little paperwork as possible."

Karen Oakland
Vice President of Financial Services
Marketing at Smart Communications

How digitization improves the customer experience

The question for banks is this: What digital investments can improve the speed and accuracy of commercial lending such that it becomes a driver of customer satisfaction? A framework for doing this successfully includes:

01 **Customer choice**
02 **Integration with core systems**
03 **Flexibility and scalability with the cloud**

01

Customer choice

It's understandable that business customers get frustrated when applying for a loan if they have to fill out paper forms or relay information to a loan officer in person. In the rest of their lives, the same customers have lots of choices about how they interact with companies. Digitization simply lets banks offer more communication options to their customers. For some, that means automating the intake of information a business has to supply to apply for a loan and allowing customers to do much of it online or using a mobile device, and on their own schedule. But it also means keeping other options open to customers.

"It's serving the customer where they want to be served. At its core, it's really about the omnichannel experience, whether it's a digital channel, in person or over the phone and using technology to automate wherever possible to speed up the process."

Karen Oakland
Vice President of Financial Services Marketing at Smart Communications

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Integration with core systems

While banks can achieve operational efficiencies by automating some aspects of commercial lending, true customer engagement and satisfaction are built when a bank can use technology to improve the end-to-end experience. This requires extending a bank's core system of record, such as nCino or Fiserv, to reduce the need for manual typing and to allow for integration with robust RPA tools, such as Pega. Smart Communications helps drive this kind of holistic integration through a flexible, cloud-based platform designed to meet the security needs of highly regulated businesses like banking.

"Banks are seeing the value of being able to integrate systems together to eliminate data silos, drive efficiency and improve personalization," Oakland said. "For example, once you've got your loan origination information, you want to sync in your third-party data system, like risk ratings and the identity checks that you need in the underwriting-decision process. That enables the bank to simplify and speed up production of the necessary loan agreements and disclosures and get more loans signed faster. Integrating document creation with e-signature platforms eliminates the need for manual imports and exports, so it's all fast and easy."

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Flexibility and scalability with the cloud

The sort of integration necessary to provide a highly automated, frictionless commercial loan application is simply not possible when banks rely on siloed, on-premise systems.

"Historically, banks have been very batch-driven, and it becomes a big black hole around why things don't happen faster. Legacy systems are under a lot of pressure to connect together. That's where a lot of investments are being made in order to modernize and move to more real-time transactions. But it requires doing it in a way that allows banks to move from originations to servicing and always get all the information correct and keep a solid relationship with the customer."

Brad McGeown
Vice President of Financial Services Strategy for Smart Communications

Increasingly, banks are recognizing that the most cost-effective and rapidly scalable way to link everything from core systems of record to data capture to loan documentation and e-signatures is by investing in modern, cloud-based infrastructure. In fact, a recent survey by the American Bankers Association found that more than 90% of respondents maintain at least some data, applications or operations in the cloud. The same survey found that increased scalability and lower total cost of ownership were two of the main benefits of the technology.

"A lot of companies are moving to the cloud because they want more flexibility and this idea of interoperability," Oakland said. "They're moving to plug-and-play solutions with open APIs that allow them to connect everything together." In fact, in Accenture's report about commercial banking trends, 92% of banks said more investments were needed to improve the open API connectivity necessary to create more compelling customer experiences.

Conclusion

Banks have real opportunities to leverage technology to improve commercial lending in ways that differentiate them and promote client loyalty. To be sure, customers expect no less. "Customers are not out there to give us forgiveness for the time it takes to do things because we have a 30-year-old batch mainframe-based system," McGeown said. "They want their information in real time, they want it to be correct the first time, and they want to be informed throughout the process."

At the same time, using technology to automate, speed up and reduce errors in lending should not be seen as a complete substitute for the strong personal relationships that have long been the foundation of commercial lending.

A hybrid approach that maintains the centrality of personal relationships while benefiting from the efficiency and transparency and choice technology can provide is best.

"On the commercial side, you are still dealing with a person on the other side. I think that the opportunity is to use digitization to improve some of these processes and still maintain that critical personal connection that commercial customers have with their loan officers.

Brad McGeown
Vice President of Financial Services Strategy for Smart Communications

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