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Future of Digital Lending

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Abstract

Last year's report on digital lending maturity illustrated that financial institutions of all sizes had to move quickly to respond to a marketplace that could no longer visit branches. At the same time that organizations deployed Payment Protection Program (PPP) loans many were also finding ways for consumers to apply for all forms of credit online and with a mobile app.

The rapid deployment of digital functionality, however, negatively impacted the borrower experience. Most digital forms of borrowing required more than 15 minutes to complete, with the disbursement process also being extended beyond what was possible prior to the pandemic. In other words, while consumers wanted to apply for loans digitally, the experience was far from satisfactory.

What is exciting about the research done this year is that it illustrates that most financial institutions didn't settle for just enabling borrowers to apply for credit digitally ... they simplified the process, focusing on speed and showing an empathy that was desired by the consumer. Leveraging internal data, modern technology, and automation, financial institutions of all sizes removed friction from processes and reduced the cost of delivering credit.

Moving forward, financial institutions are looking to deliver a wider array of credit options in an almost instantaneous manner similar to what is being achieved with buy now, pay later (BNPL) solutions. To respond to fintech firms and big tech competition, traditional financial institutions are rethinking back-office processes that currently hinder the speed to deliver digital credit.

It is highly encouraging that banks and credit unions have responded so quickly. But there is still much to be done. Outdated manual processes must be rethought, with all employees that are involved becoming part of the solution. Digital lending transformation needs to happen quickly. This will require ongoing innovation through iteration, usually partnering with fintech firms and/or third party solution providers.

We would like to thank [Meridianlink](#) who continues to sponsor our annual digital lending reports. This year's report provides a perspective beyond the initial impact of the pandemic, illustrating the advances made and the challenges still ahead. Our research has enabled us to create benchmarking for the expansion of exciting digital lending solutions in banking going forward and ways to create borrower experiences that are expected.



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