

# Weaving the Web Through All Lending Points of Sale

## Integrated Internet and Back-end Solutions Streamline Loan Origination and Processing for Brokers and Members Alike

By Robert Surridge  
Senior VP, Lending Division,  
Digital Insight, Inc.



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The evolution of the Internet and e-commerce has brought lending to a major turning point.

The latest, and arguably the most effective use of a website is to offer online loan origination. Rather than making an appointment to learn about loan offerings from a service representative, or picking up a brochure at the branch, members can research options and apply online.

But the true revolution in online lending brings much more to the table. The Internet is a powerful tool with the potential to help credit unions streamline their entire point-of-sale system, including management consoles and analyst workstations, with consistent information across multiple platforms -- a transformation of the very business

model by which they function.

We've already begun to witness the transformation.

### Allegacy FCU

Allegacy Federal Credit Union, Winston-Salem, N.C., incorporated as an online lending solution in early 2000. The success of this concept was seen in the more than \$6.5 million in loans originated via AFCU's website.

The process is simple. Members go to the website, fill out a consumer or home-equity application, and click "submit." Within 90 seconds, they receive a message via the browser as well as e-mail, in case they logged off, stating that they are either approved, or that the application needs further review and a loan officer will respond within 30 minutes.

For members, the convenience cannot be measured numerically. There are no numbers that can describe the ease-of-mind that a member feels by finding out instantly that the loan was granted. A number doesn't accurately measure a satisfied-member's experience.

However, for the credit union, numbers work.

From implementation of the Internet program at the end of February till the end of December,

AFCU generated \$6.5 million in consumer and home-equity loans.

### The numbers continue

In the first quarter of 2001, Allegacy realized more than \$3.4 million in Internet consumer and home-equity loans. Those dollars represented 369 Internet applications, and made up 12% of all consumer loans and 21% of all home-equity loans.

With the onset of a new technology that recently became available, the back-end processing was streamlined. "We were looking to close the loop in the way information was gathered and entered into our main system, as well as a way to unify the decision-making process and make it less susceptible to human error," Ray Crouse, e-Services manager, explained.

Working with its data processing vendor, Focus XP, and its e-finance enabler, Digital Insight, who was offering the consumer and home-equity solutions via the credit union's Internet site, AFCU sought to develop an interface that would allow the systems to share information. The interface provided an opportunity to streamline information gathering and data warehousing into a single source, while eliminating manual re-keying efforts, thereby reducing labor and the opportunity for human error.

For AFCU, duplicated steps have been eliminated -- freeing up time and resources, and providing a more consistent system. No more re-keying. Fewer errors. And less time on completing the lending process.

"Essentially, the integrated process turns our online members into their own loan processors and allows our loan brokers to concentrate on acting as consultants for those members who still prefer to come into the financial center," Crouse said.

"It means that we are able to service all of our members more quickly. It's been a very positive

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experience both from our perspective and our members'."

### ESL FCU

Originally chartered in 1920 as Eastman Savings and Loan Assn., ESL Federal Credit Union, Rochester, NY, knew that the omission of mortgage origination from its website was a glaring one. Now a \$1.8 billion financial institution with a legacy and continuing reputation as the place to go for mortgages, ESL was searching to build up its online presence with a mortgage lending product both to maintain its status, as well as to compete with mortgage aggregators. When Digital Insight was looking for a beta tester for its AXIS Real Estate Lending solution, ESL was eager to participate in the product's development.

"Since we began as a savings and loan, we knew that there was a great opportunity to capitalize on the relationships we had built with our members as a trusted source for loans," said Joe Buscaglia, manager of Interface Technology. "First we transitioned our website into a portal. That was a big step toward becoming the transaction hub for our members, but without real-estate loan-origination capabilities, it simply wasn't complete."

Like Allegacy FCU, ESL was intent on using the Internet as a channel of convenience for its members. Real Estate Lending was developed with members' ease of use in mind, incorporating an interface with "Wizard" to guide members through the application process online.

"From a customer perspective, the Wizard is a key component to the online real-estate-lender solution," Buscaglia noted. The Wizard acts as a self-help guide, leading members through the application process and providing intuitive prompts for completing the forms."

After going live with AXIS Real Estate Lending in January 2000, with limited marketing, ESL was overwhelmed by the response. Within two

months, approximately 10% of the credit union's mortgages were generated over the Internet.

"With our roots in mortgage lending, and with 30,000 of our 160,000 members using our Internet banking services, we knew online mortgage lending was a service our members would embrace," Buscaglia said. "Still, we were surprised by the percentage that took advantage of the offering so quickly."

At the beginning of April 2001, 87 mortgage applications representing more than \$7.9 million were processed through ESL's website, including 13 referral applications. More than half received the credit union's highest mortgage ratings, allaying the notion that only poor quality leads come via cyberspace. For the first quarter of 2001, Internet-originated loans represented 7.4% of all of ESL's mortgage applications.

"Not only is an Internet mortgage something that our members have come to expect from us, it is also a key revenue generator via the web," Buscaglia said.

Allegacy and ESL have found that an integrated loan-origination system via the Internet smoothes the loan-application, review, and completion processes. In addition, unified member data housed in their systems become a valuable asset for targeting members for cross-selling and for shifting loan sales from a reactive to proactive approach.

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Bob Surridge, Senior VP  
Lending Division  
Digital Insight  
1750 Creekside Oaks Drive  
Suite 100  
Sacramento, CA 95833  
(916) 561-3559  
[www.digitalinsight.com](http://www.digitalinsight.com)

ESL FCU  
Administrative Offices  
100 Kings Highway South,  
Suite 1200  
Rochester, NY 14617-5598