

Building the business case for straight through processing

“The ROI of LIXI”

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Why do we need standards anyway?

- Standards lower the cost of change
- Standards allow interoperability with other parties without repeated effort
- Standards allow service consumers to choose their providers based on service rather than effort of change

What is ROI?

- Generally expressed as an annualised %
- A measure of the benefit obtained, relative to the costs incurred to gain those benefits

ROI in the Lending Industry

Where capital is to be preserved

- We have investment policies
- We have enormously complex decision models to substantiate decisions
- And we have corporate guidelines, policies and teams whose job it is to & manage the risk of not achieving ROI
- The return horizons of the investment are assumed to be full length & relatively certain.
- We have a lot of smart people who spend a lot of time crunching cash flows and generating return models

Where capital is not preserved

- We tend to have less complex models of ROI
- We tend to rely on individuals involved in the promotion of the project to make the case for ROI
- While there is often ‘historical precedent’ that is utilised as a guideline as to how to make a case for a project, there is not the clear and rigorous models we see in the more traditional investment decisions

Lending Industry ROI Conclusions

- For an industry that by its nature is focused on the long view, we have a remarkably short horizon.
- This is a function of the dynamic & extraordinarily competitive nature of the industry
- This is also something that is not unique to our industry - but reflects the paradigm shift that technology can bring in business, if properly applied.

The Investment Decision

- Traditionally ROI has been calculated over life of projects.
- Evidence that criteria has tightened so that ROI is a 24 or even 12 month horizon.
- Organisations are looking at the impact of waiting for large whole of business solutions vs immediate improvements in capability, efficiency, processes.

What drives ROI?

- Size of the investment
 - The smaller the investment, the better any benefit appears in relation to that benefit
- Size of the benefit gained
 - The larger the benefit, the better it is relative to the investment

My Goal Today Is

- To try and provide a framework which will assist you in identifying the benefits which LIXI and Straight Through Processing provide.
- To highlight areas of benefit which may not be obvious or are not easily quantifiable.
- **To sell you on NextGen's industry leading services to help you achieve this!**

What is Straight Through Processing?

- The Latest Buzz Word
 - Used by many people to mean many things
- Having sufficient automation and business rules to allow an application to make it's way through your workflow without requiring humans to make subjective decisions.
- Characterised by:
 - #1 - Capture of information at a fidelity that enables re-use without assumption = LIXI lodgement
 - #2 - Human intervention is the exception, not the rule.

Benefits of Straight Through Processing?

Obvious

- Cost. Time. Cost.

Less Obvious

- Predictability in process
 - expectation management
 - best practice service levels
 - predictable pipeline = better resource management
- Consistency in outcomes
 - credit policy consistently applied

How Does LIXI Help You Achieve Straight Through Processing?

Obvious

- Capture information at a high enough fidelity to be able to be used throughout the process
- Provide a common vocabulary so that there is certainty about what you mean when you say "Applicant Net Income"

Less Obvious

- Remove the distinction between 'internal' & 'external' parties. It's a single holistic workflow - it just happens to be 'serviced' by external parties at various points.
- Deliver the ability to pick partners based on who can deliver better service, rather than how readily they can consume/provide information.

Steps in the Lending Process

1. Lodgement of application
2. Assessment
3. Valuation
4. Mortgage Insurance
5. Validate Supporting Documentation
6. Settlement / Prepare Documents

Electronic Lodgement

Obvious

- Data Entry
- Transcription Errors
- Certainty that the application can be assessed without additional information

Less Obvious

- Layered cost of reworks
 - Lender to broker or sales channel
 - Broker or sales channel to consumer
 - And back again
- Information Fidelity
 - Capture information in a format it can be re-used.
 - Remove supposition, assumption and uncertainty.

Assessment

Obvious

- Automate obtaining of a credit report
- Rules based underwriting provides automated decision for deals within policy
- Consistent calculation of metrics

Less Obvious

- Common data set for manual assessors to improve objectivity and consistency in referred deals
- Ability to incorporate risk assessment as part of the lending decision

Valuations

Obvious

- Data entry
- Data accuracy

Less Obvious

- Timeliness
- Type of valuation required
- Flexibility to choose the valuation method to suit the circumstance

Mortgage Insurance

Obvious

- Data entry
- Data accuracy

Less Obvious

- Timeliness
- Required / Not Required?
- Provision of supporting docs with MI application

Supporting Documents

Obvious

- Electronic application linked to supporting docs
- Electronic is less expensive than Fax

Less Obvious

- Automate follow up of missing docs
- Automate satisfaction of document related conditions
- Outsource verification and compliance

Document Production

Obvious

- Reduced data entry costs
- Reduced error rates in transcription

Less Obvious

- High fidelity data means loan contracts can be produced systematically
- Production and delivery of documents can be driven by milestone or activity rather than as a 'human' step

Settlement

Obvious

- Reduced Data Entry
- Clearer communications

Less Obvious

- Real time updates

Back Channel Messages

Obvious

- Standardised Messages
- Information Flow
- Transparency

Less Obvious

- Sense of ownership / engagement by sales channel
- Tangible vs Intangible
- Increased Customer Satisfaction

Other LIXI Standards

- Products
 - The start of the sales cycle
 - Reduce the risk of data errors in sales channel systems
 - Ensure product details are provided in a consistent manner across your sales channels
- Commissions
 - The end of the sales cycle
 - Reduce errors in broker commissions
 - Reduce broker follow up calls

In Summary

- Standards lower cost and complexity.
- High fidelity of data at the beginning of the process provides greater re-use potential throughout the lending cycle.
- Straight through processing means you can cross organisational boundaries in one seamless process.
- Human interaction in the process should be the exception, not the rule – automation is the key.

End of Presentation

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