OneSpan

CASE STUDY

E-SIGNATURES CUT LOAN APPROVALS FROM 10 DAYS TO MERE HOURS FOR A LENDER THAT PROCESSES $350 MILLION ANNUALLY

EXECUTIVE SUMMARY

Business Objectives

- Process student loan applications faster and more efficiently

The Problem

- High abandonment rates on loan applications due to long paper processing times
- Competitors were offering e-signatures and faster approvals

The Solution

- Use electronic signatures to keep the application process electronic from start to finish

The Results

- Immediate 99% adoption
- Loans approved within minutes
- An overall cost savings of $90,000/year in combined reductions for office supplies, courier costs and by no longer hiring temps
- Increased employee satisfaction/no more overtime and less stress

Student Loan Authority Offers E-Signatures, Achieves Immediate 99% Adoption

This story features a state student loan authority that delivers over $1.2 billion in financial aid each year through grants, scholarships, and loans. As part of that outreach, the organization runs a $350 million supplemental student loan program that approves 28,000 loan applications annually.

While the organization had made its largest and most important student loan application available online, students still had to print those forms in order to sign and mail back. The delays caused by processing paper resulted in a high volume of lost business, and required significant staff overtime. The need to become more competitive, cut costs, and improve customer satisfaction motivated the organization to offer students the ability to e-sign applications over the Internet.

They went live with e-signing at the peak of their loan season, and overnight, attained a 99.9% e-signature adoption rate that has since held steady through a full annual business cycle. The organization also subsequently cut the loan approval process from weeks to hours and, in some cases, minutes; decreased abandonment rates; eliminated staff overtime; and slashed shipping costs.

The Challenge

This student loan authority is in a highly competitive market where many other lending institutions were already offering e-signatures on their loans. Although the most important loan application package was available online, students still had to print all 14 pages to sign and mail in. On average, it would take the organization two weeks from the date they received the application to confirm if the loan was approved. However, students generally needed to lock in funding sooner and would often abandon the process in favor of another lender.

Abandonment rates were not the only problem. From May through August of each year, this state student loan authority received approximately 2,000 applications per week that were sorted into 13 large mail bins. Staff had to pull each file, match it with the file that had been pre-approved online, review it, and often return it to the applicant because of missing signatures. When returning an incomplete application, staff used yellow sticky notes to indicate where signatures were missing, but even at that, applicants would still forget or miss signatures. With the credit application requiring up to five signatures, and the Promissory Note requiring four, plus an additional two underwriter signatures, it was no surprise this was the number one error.

Once all 11 signatures were obtained, the lender had to review the application and Promissory Note and then the school had to certify (the student loan authority does not disburse the money directly to the student, but rather to the student's school) the student's eligibility for the amount requested. Once approved for a loan, the paperwork had to be couriered to the Trustee for approval. This in turn created more delays since the Trustee's document custody team regularly returned Promissory Notes to the state student loan authority, mistakenly thinking they were photocopies rather than originals—a problem caused by a certain type of ink pen. This was yet another example of how e-signing would streamline operations.

The paper process was frustrating for both the applicant and staff, as well as costly and inefficient. Nonetheless, to meet its service standard, the organization had been tasked with reviewing 28 applications per hour, which gave staff just over two minutes to review each—an impossible task. The heavy workload overflowed into weekend overtime, additional budget for four temps, customer complaints, errors, and a lot of storage space for filing cabinets.

Building the Business Case

The first step to garnering internal support for e-signatures was a cost analysis that demonstrated how much of their budget was spent managing paper. This included:

- The cost of shipping loan documents by courier between applicants, the Trustee, and their vaults
- The cost of archiving paper (the Promissory Note) and/or microfilm for 25 or more years in out-of-state fireproof vaults
- The cost of manually processing documents during peak loan season required overtime hours for permanent staff, plus budget for four temps
- The cost of lost business when students abandoned the process, including manpower hours subsequently spent sorting out cancelled Promissory Notes
- The cost of changing Trustees, though infrequent, required that all paper Promissory Notes be shipped from one state to another

The next step was a risk analysis. The student loan authority looked at loan default risks due directly to paper. Handwritten signature samples couldn't always be produced after five years and many times, they were not accurate. As a result, the organization had to rely on the borrowers' assertions and signature samples from the same time period if and when available. There was also the risk of family fraud, where signatures were sometimes forged. In addition, there was the lack of legal enforceability when the original paper documents had degraded, been lost, or were pulled from the archives only to discover they contained errors. With staff working frantically and handling such a heavy volume of paper, errors seeped in unnoticed. Plus, their top internal administrative headache was misplaced files.

Getting Internal Buy-In

Even with all the costs and risks of paper, reaching internal consensus on the idea of using e-signatures for straight-through electronic processing was not easy. As a lender, this organization faces stringent industry regulations and compliance requirements. While the paper process was far from perfect, the team had always met regulatory requirements that way. Ironically, the internal comfort level with e-signatures came from the technology itself. The audit trail provided by OneSpan Sign convinced the team that e-signatures could provide better legal enforceability than on paper.

"OneSpan Sign actually provides better evidence than was ever possible at the kitchen table," says the organization's Associate Director. "When students used to print applications to sign at home, we had no idea whether signers even read anything before actually signing. Now we can prove they did, and from a lender's perspective having that proof or electronic evidence makes a world of difference from a regulatory compliance and non-repudiation standpoint."

E-Signatures and E-Vaulting: A Comprehensive Solution

The state student loan authority determined that their signing solution would have to incorporate both an e-signature component and an electronic vaulting solution, in order to fully answer these requirements:

- Meet the federal E-SIGN Act and the state UETA law
- Ensure legal enforceability of the Promissory Note
- Provide the means to transfer Promissory Notes to the Trustee
- Be customizable and scale across multiple products and future lines of business
- Be easy to use

The Solution

When the team realized that e-signatures reduced the risk of repudiation, increased efficiency, and saved money, it became obvious that finding a paperless, legally enforceable solution was a priority. However, as stated by the analyst firm, Gartner, this meant the organization not only needed "...to automate the signature "last mile" of business processes but also to ensure that good processes are followed and that records and the events associated with signing these records are well-preserved using sound controls." As a result, the organization determined they would actually need a dual solution to keep the loan process electronic from beginning to end: e-signatures and an electronic vault.

First, they had to automate the student loan application process with real-time credit approval. This required the e-signature component. Second, they needed an enterprise solution designed to protect the value of their electronic loan contracts for 25-30 years. They also needed the capability to securely transfer and archive transferable records – the Promissory Note with the assurance that the documents in question were the electronic originals. This required the OneSpan E-Vault Manager, a solution used by financial services organizations to manage authoritative copies of electronic promissory notes from closing through securitization.

The solution had to comply with stringent regulatory requirements for truth-in-lending disclosures, among others. The Federal E-SIGN law states that where disclosures are delivered electronically, prior consumer consent to receive them electronically must be established. In addition, per the same law's Reasonable Demonstration clause, the organization must be able to prove that the consumer had the technological capacity to receive that disclosure and view it as they would on paper.

OneSpan meets these challenges with its zero-download solution, meaning that there is no document or PDF file to download to the consumer's system, and therefore no risk that the consumer may not have the software or technology requirements to open the file. Instead, the OneSpan e-signature platform renders all documents directly in a browser, and renders them in such a way that the document is presented in the required format with the same look and feel as its paper equivalent, right down to typeface and font size.

Results

Today the process has been simplified and accelerated. The student applies online; credit approval is provided in real-time; and the truth-in-lending agreement is completed.

Since applications are now approved in minutes instead of weeks, staff no longer put in overtime hours, and the organization has eliminated the need for temps – a significant improvement considering they are currently under a hiring freeze. By eliminating manual tasks that added no value, staff now have more time to work on things that the organization believes cause fraud. Employee satisfaction is at an all-time high. It is possible for employees to take their vacation during the summer peak, and after 18 months using e-signatures, they have noticed a drop in employee stress levels and an improvement in customer service. Customer satisfaction has also increased as a direct result of the new turnaround time.

The student loan authority has also resolved its number one customer issue: missing signatures, since now the electronic application cannot be submitted if an e-signature is missing. Plus, their top internal administrative headache, misplaced files, is no longer an issue since the e-Vault manages all promissory records. There are no more paper files moving around the office, nor filing cabinets for that matter.

Conclusion

Since initially rolling out to the first loan application package, the student loan authority has expanded e-signatures to their two other loan products: Graduate Fixed Rate and MedNJ. Based on the success experienced to date, they are currently evaluating the possibility of expanding e-signature use to their Loan Repayment area for processes such as deferment requests and forbearance paperwork, as well as to the Grants and Scholarship area.

OneSpan

OneSpan enables financial institutions and other organizations to succeed by making bold advances in their digital transformation. We do this by establishing trust in people's identities, the devices they use, and the transactions that shape their lives. We believe that this is the foundation of enhanced business enablement and growth. More than 10,000 customers, including over half of the top 100 global banks, rely on OneSpan solutions to protect their most important relationships and business processes. From digital onboarding to fraud mitigation to workflow management, OneSpan's unified, open platform reduces costs, accelerates customer acquisition, and increases customer satisfaction.

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