

A photograph of three business professionals in an office setting. A man in a dark suit and tie is seated at a desk, smiling and looking towards a woman in a light blue top who is seen from the back. Another man in a grey suit is seated to the right, looking towards the woman. The background is a bright, modern office with a window showing a building.

National Bank of Canada: Transforming the Mortgage Origination Process

Company

National Bank of Canada

Headquarters

Montreal, Quebec

Industry, products, and services

Banking

Revenue

C\$5.3 billion (US\$5.1 billion)

Web sitewww.nbc.ca**SAP® solutions and services**

SAP® Customer Relationship Management application for use in the banking industry, SAP Custom Development organization

New mortgage loan process pleases customers and shareholders

A young couple found the bigger house they need for their growing family. Early one morning, an advisor from National Bank of Canada completes the mortgage application at their dining-room table in less than 65 minutes. They learn their mortgage has been approved. By saving its customers time and delivering a good deal, National Bank is able to provide an **impeccable customer experience while building revenue.**

Headquartered in Montreal, National Bank of Canada (National Bank) is the sixth-largest bank in the country, serving 2.4 million individual clients and managing C\$185 billion in assets.* Its comprehensive packaged offerings for personal and commercial accounts include mortgages and consumer loans as well as credit, deposit, and investment solutions. These accounts comprise 49% of revenue. Wealth management and financial management sectors claim 23% and 28%, respectively.

National Bank intends to increase revenue from personal, commercial, and wealth management accounts and consolidate its presence in niche markets across Canada. With help from the SAP® Custom Development organization, the bank created a sales and service platform based on the SAP Customer Relationship Management (SAP CRM) application, which contains functionality for the banking industry. The new platform has helped National Bank streamline its mortgage origination process – pleasing customers, employees, and shareholders.

**FOOTNOTE**

*Information available as of June 2013

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Driving revenue with a faster, streamlined mortgage process

Since 2008 National Bank has worked to improve customer service and revenue through its “One Client, One Bank” corporate initiative. The goal is to align distribution with operations to support sales and service more effectively, increase efficiency, foster a corporate culture of cooperation, simplify internal processes, and reduce operational risk.

As part of this initiative, National Bank launched an enterprise-wide transformation program to provide customers with consistent service in all channels, streamlined interactions, and a more positive and rapid sales process. This program also gives its front-office personnel more time and better tools for selling and supporting the back office. By placing entire processes on a single platform with guided procedures, validation checks, and paperless handovers between participants, National Bank is enhancing the flow of customer information while reducing operational cost and complexity.

Because of its strong revenue potential, the retail lending branch of National Bank was chosen as the first customer service enhancement project to eliminate cumbersome mortgage origination processes that diminished the customer experience.

“We were interacting with mortgage customers through four different channels and six origination platforms,” says Paolo Pizzuto, senior vice president – business processes for personal and commercial banking at National Bank. “There were nine ways to originate loans and lines of credit.”

National Bank knew that simplifying, standardizing, centralizing, and automating its origination processes would enhance efficiency, improve its view of client relationships, shorten decision times, increase cross-selling, and lower costs.



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Adapting “best of suite” software for specific process needs

In 2009, following a rigorous selection process, National Bank chose SAP CRM to serve as its new unified sales and service platform. The platform also included SAP software for product bundling, real-time offer management, and collateral management.

In addition, SAP CRM offered a task-based user interface that supports a guided application procedure for mortgage advisors and integrates with loan decision-making processes and back-end legacy systems.

“We wanted a robust standard solution that would also let us define our own origination processes,” Pizzuto says. “We preferred to build against an integrated best-of-suite solution in which our business requirements were already embedded – rather than integrating best-of-breed software ourselves.”

“With help from SAP Custom Development, we are able to adapt SAP CRM to our specific account-origination processes. We could also integrate with more than 70 internal and 3 third-party applications related to the origination process, while connecting our mortgage application and adjudication processes with processes for sales, operations, and performance management,” Pizzuto adds.

National Bank was also impressed with SAP’s vast experience in the banking industry and the investments it continues to make in that sector. “SAP’s long-term ability to invest in banking was quite evident,” Pizzuto says.

“SAP Custom Development helped us optimize standard support for our key processes while creating flexible support for our specific needs.”

Paolo Pizzuto, Senior Vice President – Business Processes for Personal and Commercial Banking,
National Bank of Canada



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Creating a repeatable, custom solution

The SAP Consulting organization helped National Bank analyze its account origination needs and organize the new platform to meet its business requirements. SAP Custom Development then helped the bank create business rules and special user interfaces within SAP CRM for automating the origination process and providing a full view of each customer's relationship with the bank.

"SAP Custom Development enhanced SAP CRM without rewriting the code," Pizzuto notes. "Because of compliance requirements, for example, we needed to retrieve additional information about our customers' assets and liabilities outside the bank, conditional to customers' consent, from third-party sources, such as credit bureaus or notaries. The application helps us automatically validate the total net worth of our customers. In the past, this had been done manually."

National Bank also used SAP MaxAttention™ services to validate the configuration of its new software and integrate the software with existing solutions.



2,500

End users

Together, National Bank and SAP Custom Development built a unique solution that SAP can incorporate into certain future offerings.

At the end of the deployment, National Bank will have installed the solution in 335 branches for mortgage advisors and 230 mobile advisors in the province of Quebec. Among the more than 2,500 end users are employees in bank operations, a new center of excellence, private banking, risk management, compliance, auditing, and customer support centers. This deployment will be Canada-wide and include other credit products.

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Using a more streamlined and versatile origination process

With the new account-origination software in place, mortgage applicants can have their loans authorized in just one visit with a mortgage advisor. Advisors can prepare and analyze an application in bank branches or on the road and meet with the client within 95 minutes, versus 175 minutes in the past.

Once the advisor has gathered the necessary information, all of which is digitized, it is passed through to an adjudication process involving an origination expert. This process is automated for about 80% of applications, and loan authorization is instantaneous in many cases.

Simulation functions help advisors explore various payment structures and mortgage terms as they seek products that suit each customer's needs.

For example, advisors can help customers weigh the pros and cons of combining a mortgage with a line of credit. With visibility into the entire banking relationship involving one or more of the mortgage applicants, advisors can use the application process to cross-sell credit cards, insurance, and other bank products.

Performance management functionality enables the bank to automatically measure cross-selling activity and the ratio of adjudicated mortgages to actual loan disbursements. Pricing tools show the bank whether advisors are using the right margins and escalation procedures. In addition, branches can track their performance, as well as the performance of their peers, for greater process transparency.

“Today we have the time and information to qualify our customers for a wide range of products.”

Paolo Pizzuto, Senior Vice President – Business Processes for Personal and Commercial Banking, National Bank of Canada



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Making loans more quickly with new cross-sell opportunities

“We’ve created significant value for customers by creating an origination process that is leaner and more efficient,” says Pizzuto. He notes that initial measures of customer satisfaction with the process showed an increase to 83%.

“By reducing the total time needed to process loan applications by 40% and giving advisors a clearer picture of customer needs, we’ve improved opportunities for cross-selling – which benefits our shareholders,” Pizzuto adds. “Cross-selling of personal lines of credit and credit cards is expected to increase by more than 100%.”

The new paperless origination process has significantly reduced any risk of error. Use of simulators and step-by-step guidance by advisors and origination experts has made it easier to train new employees. Furthermore, training distribution and operations employees has integrated their activities better.

Specifying the roles for mortgage advisors and origination experts has enhanced accountability. By clearly defining and automating the steps for each role, the bank can instantly identify and quickly correct instances of nonconformance.

“We’ve become much more mature as an organization in terms of process management,” he notes. “The center of excellence we’ve established as part of our transformation has been given full responsibility for process changes. This is a huge step forward for us as an organization.”



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Replicating success businesswide

Pizzuto mentions that the new sales and service platform and redesigned mortgage origination processes have broken down business and IT silos and helped different parts of the bank work more effectively together.

The bank hopes to replicate this and other positive results as it deploys the new software elsewhere in Canada, where mortgage rules are somewhat different from those for Quebec. It also plans to add origination of personal loans, lines of credit, construction loans, and auto loans to the new platform – along with mortgage segregation, assumption, and renewal.

“Together, National Bank and SAP have created functionality that is at the forefront of retail account origination and brings flexibility, agility, and cost reduction to the process,” Pizzuto says. “We’ve created a partnership that we hope will last a very long time.”



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