

6 Clear Signs >>> It's Time to Change Your Loan Origination System (LOS)

Introduction: The Operational Agility Gap

In recent years, the capabilities of Loan Origination Systems (LOS) have evolved quickly to match the rapidly increasing demands of modern customers. Your loan origination process must seamlessly connect multiple products, channels, approval paths, data sources, and regulatory requirements. If your current technology forces your team to work around system limitations, it's no longer an asset. Instead, it has become a liability that's keeping you from actively scaling your business.

A Tale of Two Originators

The Surge in Point of Sale (POS) Financing

Consider a defining operational stress-test in recent credit history: the sudden volume spikes of the early 2020s with the historic Paycheck Protection Program rush and the rapid rise of digital point-of-sale financing.

Traditional financial institutions running on legacy, on-premise LOS immediately hit an operational wall. Overwhelmed by a sudden surge in digital applications, legacy databases froze, manual document review pipelines collapsed under the weight of paperwork, and frustrated borrowers faced weeks-long delays for simple underwriting decisions.

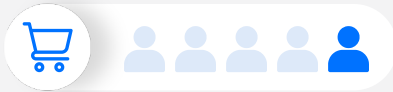
In stark contrast, digital-first lenders and alternative finance providers running on automated, cloud-native Software-as-a-Service (SaaS) infrastructure scaled seamlessly. By leveraging real-time data ingestion, automated decisioning rules, and pre-integrated verifications, these agile organizations processed, underwrote, and funded thousands of loans in minutes rather than weeks.

When your current technology fails to support this level of complexity, operational warning signs begin to flash. From lost deals and compliance gaps to a poor buyer experience, using an outdated LOS can have real consequences.

[See the 6 signs that it's time for a change and discover what a modern platform can do for your pipeline.](#)

Sign 1: Customers Have to Leave Your Store or Site to Find Funding

When borrowers have to leave your website, branch, dealership, or point of sale to secure financing, it's often a sign that your lending experience has become disconnected from your sales experience. Every time that happens, you lose a measure of control over the customer journey because once borrowers leave your environment, they're exposed to distractions and opportunities to rethink their decision.



70.19%

One out of five

shoppers abandon a purchase flow entirely due to an overly long or complicated process.

According to digital transaction research by the [Baymard Institute](#), the average online transaction abandonment rate stands at a staggering 70.19%, with roughly one out of five shoppers abandoning a purchase flow entirely due to an overly long or complicated process.

Financing assistance should not be an added effort to this process.

Today's borrowers expect to apply for credit wherever they choose to do business, whether that's [through a website, mobile app, dealership, merchant, or partner](#). If your lending process requires them to step outside that experience, your loan origination process is at odds with your sales channel. Often, this points to an LOS that struggles to [support multiple origination channels](#) within a single, connected workflow.

Ultimately, your concern should be whether your lending process keeps borrowers engaged from the moment they decide to buy until the loan is funded, or whether your technology makes it easier for them to walk away than to continue.

A single, cohesive operating model that works across all digital, mobile, and embedded partner channels to capture borrower intent at the exact point of need is essential. To keep borrowers engaged, lenders are turning to integrated checkout financing and in-house Buy Now Pay Later Software options to give the borrower a seamlessly easy experience.



Sign 2: You Have a “Filing Cabinet” With Customer Applications

When applications are stored on paper or spread across emails, spreadsheets, and disconnected systems, your employees spend much of their day collecting documents, chasing missing information, printing forms, re-entering the same data into multiple systems, and moving files from one desk to another.

This manual administrative drag is highly expensive. Industry benchmarks from [Capgemini's World Retail Banking Report](#) reveal that documentation and operational activities consume up to 55% of onboarding teams' time, with another 36% devoted to compliance and risk assessment tasks. This leaves only a fraction of their working hours for actual credit analysis.

Administrative Workload Distribution



55%

Onboarding Bottleneck

Consumes 55% of operational time in manual document processing and data re-entry.



36%

Compliance Drag

Consumes 36% of operational capacity in risk assessment and compliance tasks.

Instead of evaluating borrowers and making lending decisions, employees spend valuable time on administrative work that creates inefficiencies throughout the lending process:



Every manual step extends the application timeline.



Every handoff creates another opportunity for delays or mistakes.



Every duplicate data entry increases the risk of inconsistent records and pulls skilled employees away from work that actually requires their expertise.

Sign 2: You Have a “Filing Cabinet” With Customer Applications

A digitized LOS will enable your lending teams to spend less time processing paperwork and more time assessing borrowers, managing exceptions, and improving portfolio quality because it [replaces these manual workflows](#) with a connected digital process.

- Documents are captured electronically.
- Information flows automatically between stages.
- Routine validation happens in the background.
- Applications move through predefined workflows with minimal manual intervention.

Therefore, if paperwork has become the backbone of your lending operation rather than simply supporting it, it's often a sign that your LOS has reached the limits of what it can efficiently support.

You have a greater opportunity in digitizing the entire origination process so your technology works for your people, rather than your people working around your technology.

Establishing an automated, API-driven data environment with a modern platform eliminates manual document chasing by connecting your core system directly to third-party databases.



Sign 3: Borrower Experience Is Impacting Portfolio Growth



Portfolio growth depends on attracting new borrowers but it also depends on how many of those borrowers successfully complete the journey from application to funding. [When applying for finance feels confusing](#), time-consuming, or inconsistent, borrowers are less likely to finish the process or go through with the sale.

They want clear communication, an intuitive application experience, and clarity about what happens next. If they're left guessing, many will abandon the application or look for another lender that offers a simpler experience. Quantitative data from [Signicat's "Battle to Onboard"](#) industry report shows that 68% of consumers have abandoned a digital financial application before completion, citing long processing times and complex document requirements as primary reasons for dropping out.

Furthermore, modern applicants have infamously thin patience: the average consumer abandons a financial application after 18 minutes and 53 seconds of form fatigue. Mobile-specific studies compiled in the [Digital Banking Report](#) show that if an account opening or credit application takes longer than a few minutes, the probability of abandonment spikes to 60%.

Application Abandonment Triggers



18:53_{min}

Form Fatigue Limit

Average point where borrowers abandon complex financial applications.



60%

Application Friction

Spike in abandonment risk when applications exceed a few minutes.

Borrowers no longer compare your lending experience only with other banks or credit unions; they compare it with every seamless digital experience they encounter.

A loan application that feels slow, repetitive, or disconnected can make your site appear less responsive than competitors, regardless of the strength of your products. For instance, when different stages of the lending process rely on separate systems, borrowers encounter inconsistent communication, repeated requests for information, and unnecessary delays.

Sign 3: Borrower Experience Is Impacting Portfolio Growth

But a connected LOS removes these handoffs by bringing the entire lending journey together on a single platform, creating a smoother experience for both borrowers and employees.

The ability to adapt is equally important. Borrower needs, lending products, and market conditions change constantly. [A rigid application process](#) that cannot be easily configured makes it difficult to introduce new products, simplify workflows, or respond quickly to changing customer expectations.

Over time, that lack of flexibility can reduce an institution's ability to [attract and retain borrowers](#). And when borrower experience suffers, the impact extends well beyond individual applications. Lower completion rates, more abandoned applications, slower processing, and reduced competitiveness all limit the growth of the lending portfolio.

Improve the borrower experience by making applications easier to complete and remove barriers that prevent qualified borrowers from becoming funded customers.



Sign 4: Your Underwriting Department Rivals That of an Insurance Company

At first glance, a growing underwriting team can feel like a sign of success. More loan applications mean more underwriters, more administrators, and more support staff to keep pace with demand. But if every increase in lending volume requires another round of hiring, it's worth asking whether your business is truly scaling or simply adding people to compensate for inefficient processes.



70%

Onboarding Friction

Financial institutions reported losing potential clients specifically due to slow, manual, and inefficient onboarding and underwriting processes.

A large underwriting department may suggest that your LOS has stopped carrying its share of the workload.

According to [Fenergo's Financial Crime and Industry Trends Report](#), 70% of financial institutions reported losing potential clients specifically due to slow, manual, and inefficient onboarding and underwriting processes.

Your technology should [automate routine decisions](#) and administrative tasks, so that your people become a competitive advantage rather than a workaround for outdated processes.

That's how organizations increase lending capacity, improve consistency, reduce human error, and continue growing without scaling costs at the same pace. Since the role of an underwriter is to assess risk and make informed lending decisions, they should be focused on judgment.

Your LOS [should remove repetitive tasks](#) to allow your underwriters to focus on the applications that genuinely require human expertise, such as complex borrowers, higher-risk cases, unusual collateral, or policy exceptions.

This becomes increasingly important as your lending portfolio grows. A scalable LOS should be able to process higher application volumes without placing the same pressure on headcount.

If every period of growth creates bottlenecks that can only be solved by hiring more people, your operational costs will rise alongside loan volume, limiting profitability and making future growth increasingly expensive.



Sign 5: Your Loan Terms Are One Size Fits All



Standardization has its advantages. A single product, one application flow, and one approval process are easier to manage and often appear more efficient. The problem is that [borrowers aren't standard](#), and neither is the market they operate in.

A first-time borrower doesn't present the same risk as an existing customer with a strong repayment history. A consumer loan differs from a commercial facility. Similarly, businesses in different industries have different financing needs, and market conditions constantly create demand for new products and pricing models.

Therefore, if every borrower is forced through essentially the same lending terms with limited flexibility, they start to feel constrained.

The most competitive lenders succeed because they can introduce, test, refine, and scale products quickly. Whether they're entering a new market, supporting a new borrower segment, or responding to economic changes, speed has become a competitive advantage.

Flexibility also improves lending decisions since modern decision engines can evaluate a far richer set of borrower data than traditional scoring models. This allows lenders to price risk more accurately and offer terms that better reflect each applicant's circumstances.

So rather than force every borrower into the same credit box, lenders can confidently [support a broader range of borrowers](#) while maintaining consistent credit policies.

Your technology should never dictate what your lending business is capable of offering. But it should give you the freedom to adapt products, workflows, decisioning, and customer experiences as quickly as the market changes.

That means, if your lending strategy is constrained by what your platform can support rather than what your borrowers need, it may be time to ask whether your LOS is enabling innovation or standing in its way.



Sign 6: You Can't Cleanly Calculate ROI From Your Lending Operations

If someone asked what it costs your organization to originate a single loan, could you answer with confidence?

What about which loan products generate the highest returns? Or where operational bottlenecks are increasing costs? Or how much revenue is lost because of system maintenance and custom development? If those questions are difficult to answer, you have a visibility problem.

The challenge with in-built systems is that answering these questions is more difficult than it seems because [development costs don't stop once the system goes live](#). Every new integration, compliance update, security patch, product enhancement, infrastructure upgrade, bug fix, and feature request requires additional investment.

Furthermore, the "hidden" operational risks of maintaining an internal system introduce unpredictable, devastating liabilities that break even the most careful ROI projections. According to industry research by [Splunk](#), alternative lenders lose an average of \$309 million per year to unplanned outages and system degradation.

For a custom platform, a brief core database outage doesn't just halt originations, it triggers a massive cascade of bleeding capital. The study reveals that finance companies bleed an average of \$72 million in direct revenue and stack up an extra \$91 million in legal and contractual penalties annually due to system instability.



\$309M

Average Impact

Amount alternative lenders lose on average due to planned outages and system degradation.



\$72M

Direct Revenue Loss

Average financial exposure from a major platform outage



\$91M

Legal & Contractual Penalties

Additional annual exposure caused by system instability

Sign 6: You Can't Cleanly Calculate ROI From Your Lending Operations

Consider as well that many of these costs are spread across different departments and budgets, making it difficult to understand the true cost of running the platform. And if you can't confidently calculate the total cost of owning your LOS, you have a much bigger problem because you can't confidently calculate the return it's generating either. Without these answers, technology investment becomes difficult to justify because every decision is based on assumptions rather than measurable business outcomes.

This is where the buy versus build conversation becomes important. Running disparate systems for loan origination is detrimental, creating gaps in data and thus impacting the accuracy of decision making. Instead of continually funding internal development teams to maintain and expand the platform, the benefit of a consolidated platform for LOS and LMS combined takes care of system maintenance, security updates, and regulatory enhancements, all by [paying a known subscription fee](#).

That predictability changes how your ROI is measured and you start looking at the value the LOS brings instead of the cost of the platform. You also get more visibility into ROI because by connecting borrower acquisition, underwriting, servicing, collections, and portfolio performance, you reveal where money is being spent, where delays are occurring, which products generate the highest returns, and where automation can reduce costs.

The goal is to know, with confidence, whether every dollar invested in your lending platform is generating measurable returns for the business. If you can't answer that today, it may not be because your finance team lacks information. It may be because your LOS no longer gives the business the visibility it needs to make confident investment decisions.





Conclusion



Reclaiming Your Operational Agility

Eliminating manual bottlenecks, lowering abandonment rates, and scaling your underwriting pipeline aren't just technical upgrades. They are fundamental growth drivers. Moving away from a legacy system transforms your origination workflow from a cost center into a competitive advantage.

Choosing whether to build or buy your loan origination platform comes down to speed and focus. Deploying an established, configurable LOS allows your team to automate decisioning, streamline onboarding, and launch tailored loan products in weeks instead of years. All without inflating engineering overhead. Building in-house only makes financial sense if your origination requirements are completely proprietary and your organization can justify funding perpetual software maintenance.

For high-growth lenders, an established origination platform can provide the core engine while giving teams the flexibility to configure workflows around their unique market strategy.

Ready to transform your origination pipeline?

TurnKey Lender connects and automates the entire loan origination journey from application and decisioning through documentation and funding on one configurable platform, while seamlessly bridging your data into long-term servicing.

[Explore Now](#)

