

Finastra Embedded Consumer Lending for financial institutions

A fast route to growth for financial institutions that harnesses the power of embedded finance

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Finastra Embedded Consumer Lending enables financial institutions to grow their business via new digital channels including merchant websites and points of sale. In addition, banks can diversify loan portfolios, reduce the cost of acquisition, and protect their existing client base by offering flexible financing for high-end goods and services.

The arrival of embedded lending has opened the door to a fast-growing marketplace worth up to \$391 billion annually from point-of-sale finance alone¹. For financial institutions, it offers a valuable opportunity to broaden the reach of their loan products to large merchants and their customers—many of whom grew their savings during the Covid-19 lockdown.

To drive revenue growth in this fast-moving marketplace, banks must quickly forge partnerships with an array of business and technology partners. This includes fintech organizations acting as 'distributors', who specialize in embedding financial products at a merchant's point of sale. But this one-to-one approach, where banks negotiate bespoke relationships with each distributor, is expensive and time consuming.

Scalable growth, reduced risk with Finastra

Finastra Embedded Consumer Lending solves this problem by connecting financial institutions and their lending products with an existing network of distributors and merchants. The loan origination process itself is orchestrated by Finastra's advanced Banking as a Service (BaaS) platform technology, while banks still retain total control over the decisioning process and risk thresholds. This enables financial institutions to embed their loan products at multiple points of sale, including high-value goods and services such as building improvements, RVs and non-elective healthcare procedures.

By expanding the retail exposure of their lending products through an ecosystem of distributors and merchants, banks achieve significant commercial advantage. Benefits include reducing the cost of acquisition and retaining customers who enjoy a modern, streamlined lending experience. Partnership with cutting-edge fintech organizations also minimizes IT investment risk.



Consumers

Seeking finance to purchase goods from a merchant.



Merchants

Offering a product or service, with embedded lending options, via a website or app.



Distributors

Fintechs that embed a financing solution at the merchant's point of sale (e.g., website, sales terminal)



Enablers

Technology organizations, such as Finastra, whose API-based platforms orchestrate lending workflows and instructions between different stakeholders.



Providers

Financial institutions that hold a banking license and offer regulated, compliant lending products. A Provider will approve the merchants whose sales it is willing to finance.

Embedded Consumer Lending: An advanced financial platform that connects financial institutions with distributors, merchants and consumers.

These are the stakeholder participants and technologies that make up the Embedded Consumer Lending ecosystem.

Platform technologies

What is Finastra Embedded Consumer Lending?

Finastra Embedded Consumer Lending is an end-to-end consumer origination solution that enables banks to offer lending products via a merchant's point of sale (e.g. website or app). Finastra provides this solution with the support of a distributor organization that embeds the bank's product at the merchant's point of sale.

Finastra's FusionFabric.cloud platform provides the basis for this solution that orchestrates the loan application including automated decisioning, generating legally compliant documents and creating the loan in the financial institution's core banking system. As a result, banks can expand the availability of their lending products, using highly regulated and proven origination processes but with far less complexity and cost.

What is FusionFabric.cloud?

FusionFabric.cloud is a scalable, open and collaborative platform built by Finastra. It supports an ecosystem of financial institutions, core providers, developers and fintechs, as well as distributors of financial services. Financial institutions (Providers) use FusionFabric.cloud to enhance efficiency, create new experiences for customers and offer services through new distributor channels as part of Finastra's Banking as a Service (BaaS) offerings.

What is Banking as a Service?

Banking as a Service (BaaS) is the provision of retail or wholesale banking products and services in context, as a service, using an existing licensed institution's secure, regulated infrastructure with modern API-driven platforms.

Microsoft: Finastra's cloud computing partner

The Finastra Embedded Consumer Lending solution is orchestrated on the Microsoft Azure platform, taking advantage of Microsoft's cloud computing expertise, market-leading scalability, performance and security. Integration is also available with Finastra's core banking system, as well as third party core systems.

Key Benefits for Banks:



Unlock value of bank deposits that accumulated during lockdown.



Widen reach of lending products at merchant points of sale.



Diversify loan portfolio and grow new revenue streams.



Access advanced BaaS distribution technology to boost sales volume.



Retain control over risk at every step of the lending process.



Increase 'social good' activities such as lending to local community businesses.



Reduce resources needed to process loan origination.

How does it work?

Finastra Embedded Consumer Lending orchestrates the loan origination workflow from start to finish including application, processing, approvals and disbursal of funds.

The embedded lending process typically includes the following steps:

- Consumers are offered an opportunity to finance their purchase at a merchant's point of sale.
- The distributor connects the merchant's point of sale system to the financial institution's processing system via Finastra's Fusion Embedded Consumer

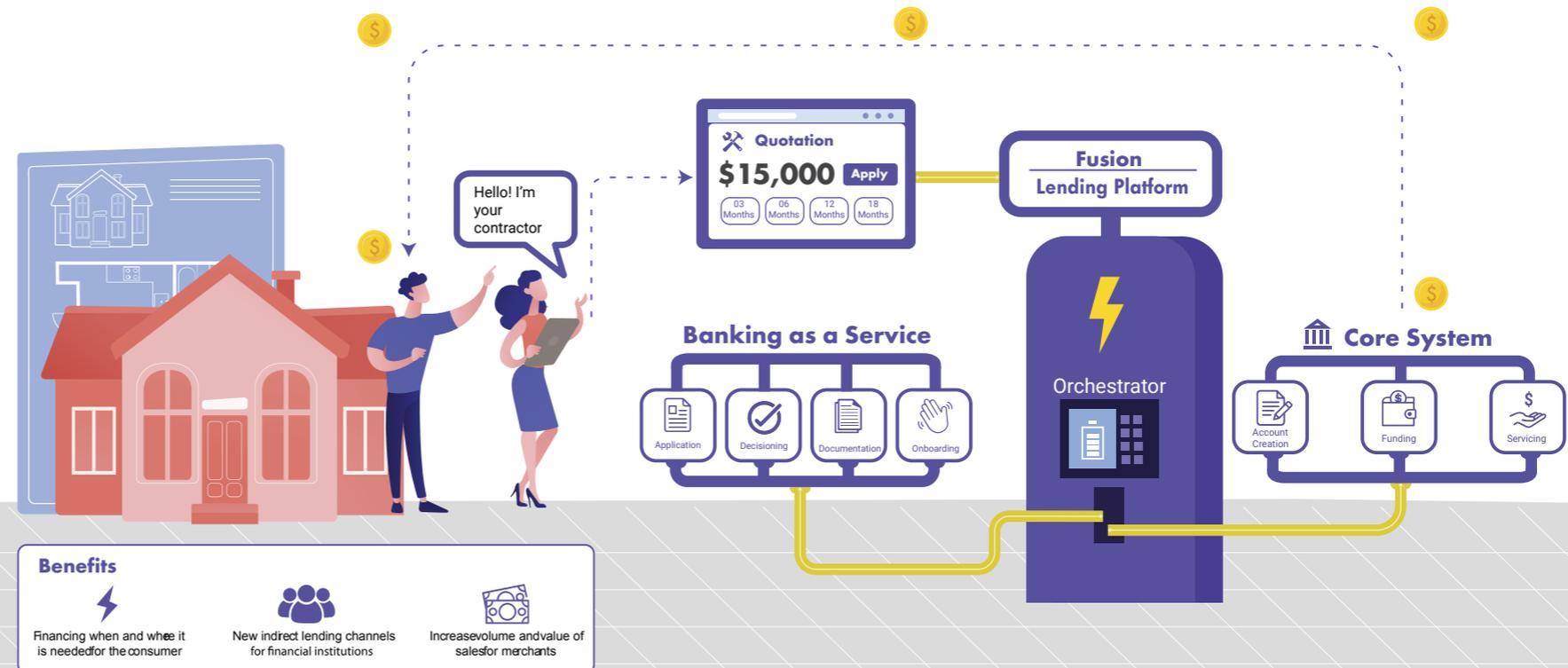
Lending Platform, enabling the consumer to complete a loan application with that financial institution.

- The loan application is then transmitted to the financial institution's decisioning system, where an automated rules engine decides loans based on risk tolerance and credit worthiness.
- The loan decision is sent back to the consumer. If the application was approved, the consumer will be presented with loan documentation through an e-sign process.

The loan is then transmitted to the financial institution's core banking system for account creation, funding and servicing.

The merchant receives funding from the financial institution, and the purchase is completed.

In most cases, the merchant can provide real-time feedback on the progress of the loan application making it less likely that the consumer will abandon the purchase.



The enabler of embedded lending

Finastra is one of the largest pureplay financial software companies in the world. We understand the breadth and complexity of the industry while bringing next generation platforms and engineering talent to BaaS opportunities including embedded lending.

Approximately 30% of all U.S. financial institutions rely on Finastra mission critical software. Our software facilitates four million loans in the U.S. every year, including \$6 billion of PPP (Payback Protection Program) loans in 2022.

As an orchestrator of open finance, we have established partnerships with finance innovators such as Wise, Google, Microsoft and Accenture to jointly deliver BaaS solutions to market.

As well as embracing innovation, our culture and mindset is equally focused on the monetization of financial technology and advanced fintech solutions. We start by helping our partners frame their embedded lending goals, then quickly act to assemble the right solutions, partnerships and talents that bring your vision to life.

Embedded lending is about consumption, and we parallel development work with identifying go-to-market partners, including financial institutions and fintechs. We are already working alongside more than 9,500 financial providers worldwide, including 5,000 in the Americas, to modernize their banking ecosystems. Let us help you build the embedded lending solutions that you and your customers can bank on.



Finastra facilitates 4 million loans in U.S. every year



\$6b of PPP loans facilitated in U.S. in 2022



30% of all U.S. financial institutions rely on Finastra mission-critical software



9,500 financial institution clients worldwide

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (digital, retail and commercial banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by ~8,600 institutions, including 90 of the world's top 100 banks. For more information, finastra.com

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