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## Whitepaper

# The digital lending revolution: What financial institutions need to know



## Executive summary

Digital lending is rapidly transforming the financial industry, but it involves much more than just digitizing documents. True digital lending involves establishing end-to-end control of the electronic asset management (eAsset management) lifecycle — from origination to electronic vault (eVault) storage to pledging — with an emphasis on legal enforceability and audit readiness.

Achieving this level of digital control requires a shift in mindset. Financial institutions must design digital lending architectures to achieve long-term goals, while ensuring flexibility, scalability, and compliance from the outset to accommodate evolving regulatory requirements, market demands, and borrower expectations. Institutions must also consider eAsset management at origination and throughout the lifecycle of their digital loans.

This strategic foresight will ensure that digital transformation efforts are sustainable and can support advanced functions like electronic pledging and the ability to monetize digital loan assets. It also positions financial institutions to respond quickly to market conditions or regulatory landscape changes, making digital agility not only a competitive advantage but a liquidity and risk management strategy as well.

However, eAsset management and digital lending can be challenging for organizations that have never done it. Financial institutions must have the right processes and technology infrastructure in place.

This whitepaper explores key points that loan operations managers at financial institutions of all sizes must know to take advantage of the digital lending revolution, including:

- ✓ Digital lending statistics and benefits
- ✓ The stages of digital lending transformation, from paper to eAsset management and pledging
- ✓ Four steps to building a strategy for eAsset management

The goal is to help managers gain a competitive advantage, build a scalable and secure electronic assets infrastructure, enhance operational efficiency and liquidity, and create a flexible and future-proof digital lending environment.

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*Having the strategic foresight to embrace electronic asset management positions financial institutions to respond quickly to market conditions or regulatory landscape changes, making digital agility not only a competitive advantage but a liquidity and risk management strategy as well.*





## Digital lending trends and benefits

Digital lending has become a business imperative. According to Celent, [57 percent of financial institutions](#) say that achieving greater speed and agility is key to their technology strategies and ability to succeed, while 73 percent have identified [digital lending transformation](#) as a top strategic priority. Of those respondents, 51 percent cite “meeting requirements and regulatory compliance” as a [key driver of IT investment](#).

Financial institutions are increasingly looking to monetize electronic assets using rigorous compliance with foundational legal frameworks such as the Electronic Signatures in Global and National Commerce Act (E-SIGN), the Uniform Electronic Transactions Act (UETA), and relevant provisions of the Uniform Commercial Code (UCC). These regulations collectively establish the enforceability of electronic contracts, the validity of digital signatures, and the need to create and maintain authoritative copies of transferable records. Institutions can confidently originate, manage, and pledge digital assets with legal certainty by ensuring adherence to these standards.

Digitization also creates new opportunities to leverage assets as high-quality collateral, especially in programs like the Federal Reserve Bank’s Borrower-in-Custody (BIC) program. As a result, compliant electronic assets are increasingly being viewed not just as operational improvements but as strategic financial tools that can drive liquidity, reduce risk, and enhance capital flexibility.

## \$20.5B

*The global digital lending market is projected to reach [\\$20.5 billion by 2026](#), growing at a compound annual growth rate (CAGR) of over 15 percent.*

# Benefits of digital lending



## Improved liquidity and monetization

Digital loans simplify collateral verification and enhances asset pledging and loan sales into the secondary market.



## Operational efficiency

eAssets eliminate manual paper handling and the need for dual controls. It reduces processing times and minimizes lost or misplaced documents. It also automates workflows for streamlined loan approvals and compliance management. eVaults provide organizations with a single view of all their electronic assets.



## Regulatory compliance and risk mitigation

Ensures legally enforceable digital contracts with tamper-proof protections, facilitating compliance with UCC 9, UETA, E-SIGN Act, and the FRB's pledging requirements. Improves compliance levels and provides asset certainty.



## Cost savings

Reduces expenses related to printing, storage, shipping, and manual processing. It also minimizes administrative overhead and speeds transaction completion.



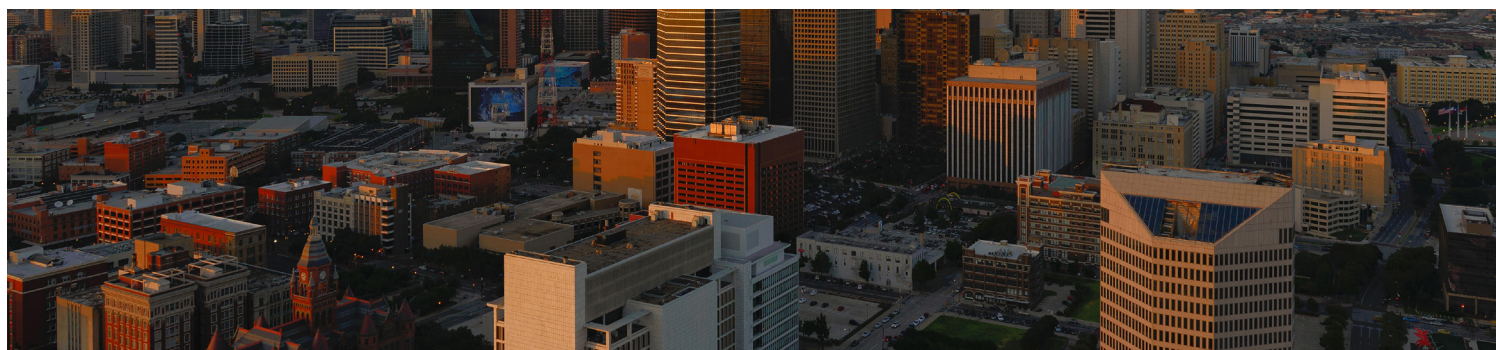
## Enhanced borrower experience

Enables seamless, remote loan applications and approvals with eSignatures, providing real-time access to loan documents while reducing process delays.



## Scalability and business growth

Allows financial institutions to handle a higher volume of loans without increasing staffing and supports expansion into new loan products and markets with minimal infrastructure changes.



## Industry trends and market opportunities

The digital lending landscape continues to evolve, presenting growing opportunities across various asset classes. Financial institutions are expanding their use of electronic lending tools beyond consumer auto loans to include verticals such as agricultural equipment, solar energy financing, equipment leasing, second mortgages, HELOCs, and commercial real estate (CRE). As institutions explore new digital services, these asset classes represent key areas for innovation and growth.

Broader market and regulatory trends support this expansion. For example, the Inflation Reduction Act, along with similar state incentives, has incentivized clean energy investments, creating a surge in solar and energy-efficiency financing demand. Over 3.4 million families across all 50 states, the District of Columbia, and Puerto Rico have claimed [over \\$8 billion](#) in residential clean energy and home energy efficiency credits.

*Source: Internal Revenue Service, May 2024*

Financial institutions that embrace digital lending early are poised to gain a competitive edge in terms of operational agility and market reach. Those prioritizing digital readiness will be better equipped to meet borrower expectations, respond to regulatory shifts, and capture emerging revenue streams.

# The stages of digital lending transformation

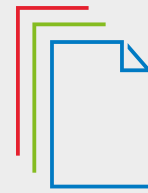
The transition to digital lending is a complex journey that demands a methodical, step-by-step approach. Rather than rushing into a full-scale transformation, financial institutions should first envision their desired “end state” and map out a practical, phased plan. Each stage — paper documents, implementing an eAsset management solution, or integrating compliance tools — requires thoughtful planning, cross-functional collaboration, and rigorous testing. Taking time to build a solid digital foundation reduces risk, minimizes operational disruption, and ensures long-term sustainability.

Approach	Beginning state	Recognize the need to manage paper/digital path through the process			End state
	Manual	Begin digital	Half digital	Digital dominant	Fully digital
Description	100% paper-based collateral documents	eAssets for <b>some</b> transactions and one asset type	eAssets for <b>many</b> transactions and <b>some</b> asset types	eAssets for <b>most</b> transactions and most asset types	100% <b>digital</b> collateral documents
Strategies, drivers, and pain points	<ul style="list-style-type: none"><li>• A desire to pledge collateral</li><li>• Increasing physical storage costs</li><li>• Increasing funding/collateral needs</li><li>• Error rates are too high</li></ul>	<ul style="list-style-type: none"><li>• Identify quick wins</li><li>• Managing for dual (manual and automated) processes</li><li>• Some cloud efficiency</li></ul>	<ul style="list-style-type: none"><li>• Capex to Opex (on premise to cloud)</li><li>• Physical storage bill is declining more than digital storage bill increasing</li></ul>	<ul style="list-style-type: none"><li>• Velocity of funding and pledging increases</li><li>• Accelerate innovation</li><li>• Increasing ROI</li></ul>	<ul style="list-style-type: none"><li>• Fully optimized funding and pledging</li><li>• Minimized operational costs</li><li>• Full cloud efficiency</li></ul>
Technology	<ul style="list-style-type: none"><li>• Online list of collateral</li><li>• Physical collateral tracking system</li></ul>	<ul style="list-style-type: none"><li>• Acquire eAsset technologies</li><li>• Single eVault</li></ul>	<ul style="list-style-type: none"><li>• From on-premise to SaaS/cloud</li><li>• Growth of enterprise information (documents and data) management</li><li>• Multi-vault</li></ul>	<ul style="list-style-type: none"><li>• Primarily cloud, digital, and remote</li></ul>	
Process changes	<ul style="list-style-type: none"><li>• Strategy/plan to pledge electronic collateral</li></ul>	<ul style="list-style-type: none"><li>• Development team</li><li>• Train some staff</li></ul>	<ul style="list-style-type: none"><li>• Train majority of staff</li></ul>	<ul style="list-style-type: none"><li>• All staff digitally trained</li></ul>	
Recommendations:					
→ Align technology with strategy → Develop change management process and funding → Provide education and training for staf			→ Develop digital path and the ability to manage dual path → Improve data management to support analytics and pledge or secondary market actions		

Source: [CELENT](#)

Along the way, institutions must also weigh whether a complete digital transition is right for their organization or if a hybrid approach is more appropriate in the near term. Some investors and secondary market participants continue to prefer paper-based assets, which may necessitate maintaining different systems for some time. In these cases, a carefully coordinated dual-process strategy can allow institutions to meet current market needs while laying the groundwork for an eventual shift to fully digital lending.





## Authoritative copy and dual eVaulting

An authoritative copy is the digital equivalent of an original document. To maintain the integrity of their digital loans, financial institutions must store and manage authoritative copies in a secure and compliant eVault on an eAsset management platform. The platform and eVault must provide tamper-proof controls, audit trails, and secure transfer of control capabilities.

Unlike a traditional imaging system that stores scanned or digitized copies of physical documents, an eAsset management platform is explicitly designed to manage authoritative copies per legal and regulatory standards. While useful for document retrieval and backup, imaging solutions lack the cryptographic controls, transfer protocols, and audit trails required for regulatory compliance when pledging assets.

The right practice is to use a dual eVault structure — one for managing an electronic asset pool and another for segregating pledged assets. This separation supports clear collateral tracking, audit readiness, and regulatory compliance, especially when working with the Federal Reserve Bank's BIC program or selling into the secondary market.

## Four steps to digital lending success



### 1 Assess readiness for digital lending

Before launching a digital lending initiative, financial institutions must evaluate their existing processes and capabilities. This begins with conducting a thorough inventory of current workflows, technologies, and documentation methods. Identifying pain points — such as delays in loan processing, high manual workloads, or compliance gaps — can provide valuable insight into where digital tools can have the greatest impact. Understanding which systems are outdated or incompatible with digital lending requirements is key to creating a realistic and achievable implementation and investment roadmap.

Evaluating regulatory obligations is also critical at this stage. Financial institutions must ensure they fully understand the requirements outlined in UCC Articles 9 and 8, the E-SIGN Act, and UETA. This assessment should also identify opportunities to implement digital lending within specific loan segments — such as auto loans or HELOCs — as a pilot for broader transformation. Starting small with a scalable use case allows institutions to test, refine, and expand processes with greater confidence and reduced risk.



### 2 Invest in digital infrastructure

Once they have assessed their readiness, financial institutions must prioritize investment in digital infrastructure. The digitization process includes modernizing core loan origination systems, integrating document generation platforms, implementing eSignature capabilities, and deploying a secure, compliant eAsset management platform. The integration of these tools enables seamless eAsset management while supporting compliance, audit readiness, and operational efficiency.

The choice of technology providers is critical. Institutions should seek partnerships with solution providers that offer scalable, automated, and interoperable platforms that support industry standards for digital lending. Infrastructure decisions should also anticipate future regulatory changes and evolving borrower expectations. Building with long-term flexibility and scalability in mind ensures sustainable digital growth and the ability to take advantage of new asset classes in the future.



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### Enhance internal capabilities

Adopting digital lending practices requires more than just upgrading systems; it also involves strengthening internal capabilities. Staff training and change management are essential components of a successful transition. Employees must understand how to use new tools and how digital workflows differ from traditional ones in terms of compliance, borrower interactions, and data security.

Additionally, institutions should consider how digital lending may transform staffing needs across the organization. Planning for changes in advance gives managers time to prepare, offer training for new roles, and hire as needed for higher-value roles such as analytics, quality assurance, and digital strategy. This internal evolution promotes efficiency, reduces errors, and helps establish a digitally competent workforce capable of supporting ongoing transformation. Creating internal champions to advocate for digital lending and to guide departments through changes can accelerate adoption.

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### Leverage industry partnerships

Collaborating with trusted partners is a strategic advantage in the digital lending journey. Financial institutions can benefit from working with providers, legal advisors, and compliance experts who have a deep understanding of the complexities involved in transitioning to digital. With their specialized experience, these partners help to accelerate implementation and reduce risks associated with regulatory compliance and technology integration.

Establishing relationships with industry thought leaders also facilitates a smoother transition. Learning from peers and participating in industry forums helps institutions stay ahead of trends, refine best practices, and make informed decisions as they scale their digital lending strategies.



*“Having a centralized eVault for origination made our process far more efficient. It keeps our eAssets secure and ready for the transition when needed. Meanwhile, our pledge eVault is critical in demonstrating clear asset control. It simplifies audits and ensures the Federal Reserve Bank’ security interests are well-defined.”*

#### DJ Steva

Vice President of Loan Operations,  
Vibrant Credit Union

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# Conclusion:

## Moving forward with confidence

As borrower expectations grow more digitally oriented, the full adoption of digital lending practices is becoming inevitable. Financial institutions that delay this transformation risk falling behind in operational capability and consumer satisfaction.

However, that does not mean they should take shortcuts. The transition to digital lending requires a thoughtful, step-by-step strategy grounded in regulatory compliance, technological investment, and operational readiness. By adopting industry best practices such as authoritative eVaulting, secure digital contracting, and dual-vault structures for asset segregation, financial institutions will be well on their way to taking advantage of digital lending's many benefits.

Whether you're just beginning to explore electronic lending or are preparing to scale existing digital capabilities, Wolters Kluwer can serve as your trusted, experienced partner as you embark on your journey. We offer a comprehensive suite of technology solutions, training, and expert advisory services to support your institution at every step.



To learn more about how your organization can confidently navigate digital lending transformation and eAsset management, visit Wolters Kluwer's website or contact a Wolters Kluwer representative to see how we can help.

Let's build the future of lending — securely, digitally, and together.

[Schedule a consultation →](#)

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Wolters Kluwer reported 2024 annual revenues of €5.9 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 21,600 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

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