
eBook

The need for technology in commercial lending





Overview

Today's commercial lenders are navigating an increasingly complex operational landscape. From keeping pace with ongoing regulatory reform to meeting escalating client demands to adapting to the permacrisis of extended economic instability, financial institutions are juggling an array of overlapping challenges and interconnected crises.

Despite the market's state of chaos, it is also ripe with opportunities, spurred in part by the intersection of public and private markets, supply chain resilience, and the fact that more borrowers are choosing commercial lenders over public markets or venture capitalists. Yet to successfully negotiate this multifaceted environment of economic, regulatory, and technological change, financial institutions must incorporate the optimal tools and processes. Commercial lenders who embrace the right technology will position themselves for success — gaining the capabilities to increase efficiencies, manage risk, maintain compliance, and grow their businesses.

Accessing the current market

There's no escaping the fact that commercial lenders are under mounting pressure to modernize their core operations while properly mitigating new and magnifying risks. Lenders are increasingly being tasked with doing more with less. Some of the most significant challenges faced by today's commercial lenders include:



Credit risk and borrower defaults

Economic uncertainty — stemming from the lingering effects of inflation, geopolitical instability, and high interest rates, among other issues — continues to shake borrower health and intensify risk for lenders.



Regulatory compliance

Adapting and adhering to stricter and ever-changing lending rules is another challenge that lenders are up against. At the same time, compliance costs are rising, with financial organizations required to update their policies, reporting systems, and underwriting standards.



Talent acquisition and retention challenges

Financial institutions face constant pressure to expand revenue streams amid tightening budgets, a reality that makes it difficult to justify new hires and can result in insufficient staffing. At the same time, ongoing talent shortages and reduced team sizes are inhibiting the ability to scale operations, resulting in challenges to operational resiliency, continuity, and limitations on technology modernization and growth.



Digital transformation and Fintech competition

Commercial lenders are also feeling the pressure to keep pace with the faster, more user-friendly lending platforms offered by Fintech firms and digital banks. These entities rely on advanced technology to improve and automate their services, often delivering faster, less expensive, and more user-friendly alternatives to conventional banking services.



Liquidity and funding pressures

A combination of forces have sparked reduced market liquidity, which is limiting lending capacity and raising costs for many lenders. Furthermore, during periods of market uncertainty, investor or depositor confidence can shift quickly, exacerbating liquidity needs. And in high interest-rate environments, depositors may seek higher returns elsewhere, increasing outflows and creating pressure on lenders to offer more attractive options.



Client expectations

From personalized experiences to faster service, today's consumers are demanding more from their lending partners. To effectively compete with digital entities and fintechs that offer advantages such as 24/7 mobile banking, real-time loan status updates, and instant KYC/onboarding tools, financial institutions can no longer rely on manual, paper-heavy, and slow loan approval processes. Today's borrowers also want the option to engage via mobile, desktop, chat, or in-person, requiring lenders to seamlessly switch between channels without loss of context.



The role of AI

Although artificial intelligence (AI) and machine learning are proving instrumental in helping lenders streamline underwriting processes and risk assessment, financial organizations must ensure responsible AI use, auditability, and explainability in automated decisions. While acceptance around the use of AI has grown, the need for human oversight has not been eliminated. Since AI can introduce issues around bias, transparency, and regulatory scrutiny, lenders must find a way to balance its efficiency benefits with necessary human oversight.

What lenders need to succeed

In order to remain competitive and continue capturing market share in today's lending environment, traditional financial institutions must invest heavily in technological infrastructure. Technology solutions that were once deemed “nice to have” have largely transformed into “must haves.” Incorporating the proper tools and processes can help lenders achieve significant rewards, from the ability to operate more quickly and efficiently to ensuring ongoing portfolio health. Today's lenders need:



Flexible, scalable API-first infrastructure

Commercial lending organizations gain a variety of advantages from the API approach, which enables seamless integration, flexibility, and scalability in financial services. With the ability to automate data collection and integrate with other systems, APIs modernize how lenders can process, evaluate, and manage loans. They also make it easy for financial institutions to scale during high-volume periods, aid in real-time decisioning, and provide extensive customization options.



Analytics insights

AI- and machine learning-based insights are proving instrumental in helping financial institutions transform their business, make better decisions, and increase profits in today's rapidly changing market. Advancements in consumer data collection and analysis have significantly expanded the ability for lenders to better target their audience, a potential market differentiator. Big-data platforms and analytics are enabling companies to identify patterns in the data that were not previously possible, and these insights can help lenders pair specific consumers with the optimal experiences, improving consumer experiences and helping to retain customers.



Seamless workflows

As transaction volumes drop, lenders must find ways to accelerate loan processing for working capital. Yet commercial lending workflows are often fragmented and disconnected. Using automated tools enables lenders to enrich workflows. By completing tasks without manual intervention, these solutions can be instrumental in reducing data entry requirements, eliminating rekeying errors, speeding decisioning, and freeing up staff for higher-value work.



Deep visibility

The ability to make informed decisions throughout the loan lifecycle increases profitability and reduces risk. But this requires deep visibility and control over all points of the loan lifecycle. Tools that facilitate this analysis can help lenders reach the right borrowers at the right price, positioning them to better serve clients, bolster profits, and mitigate risk.



Straight-through processing (STP)

An integrated solution that shares data between tasks such as business development, financial analysis, risk rating, pricing, and credit memo preparation can help lenders maximize the success of their overall lending process and manage opportunities more efficiently.

Solutions you can bank on for efficient, streamlined lending operations

By harnessing the capabilities of advanced technology, automation, and digitization, commercial lenders can achieve considerable benefits. The following solutions represent an integral part of a comprehensive strategy that will help financial organizations overcome obstacles, enhance resiliency, and better serve customers:



eSignature

Digital transformation begins with deploying a simple, scalable solution that provides intuitive and compliant document eSignature capabilities across the lending lifecycle in every asset class. With the optimal solution, lenders can deliver omni-channel signing experiences that align with customer preferences and enable secure, frictionless signing experiences on all digital device types while reducing issues and errors.



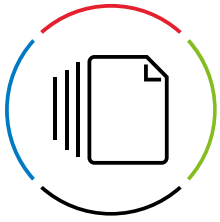
eAsset management solution

Financial institutions need more than just a secure eVault; they must be able to create and manage authentic, original digital contracts and convert assets from electronic format to legally compliant and enforceable electronic assets (eAssets). The right eAsset management platform should include tamper-sealing, encryption, and end-to-end audit trails, enabling lenders to track every action on a loan as a digital chain of custody and evidence. The solution should also encompass the creation of the eAsset to the secondary market, streamlining the entire process and cutting days off of an otherwise paper-based, manual process.



Compliance analytics

To minimize fair lending risk, lenders need an easy-to-use, robust solution that analyzes, verifies, and documents their compliance practices with all fair lending regulations. The right solution will enable completion of a regression and comparative file review, an industry-standard practice that helps assess whether there is a statistically significant pattern of protected class borrowers receiving different pricing or approval decisions than non-protected class borrowers.



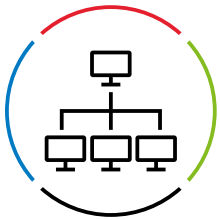
Compliance expertise and document generation

Lenders should never wonder if the contents of their documents will pass the compliance test. By deploying the right solution, they can achieve enterprise-wide document compliance certainty and dynamically generate documents across asset classes. A highly configurable document generation solution and loan processing system will provide lenders with access to a wide range of features that can be activated when needed.



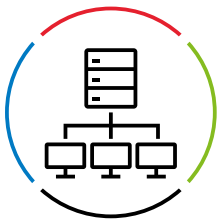
Financial analysis and credit risk management

A powerful commercial lending software solution helps financial institutions increase profits and grow top line revenue by achieving straight-through-processing across every step of the commercial loan lifecycle. The right solution will accelerate new business development and client retention efforts by increasing efficiencies in data analysis, workflow process and robust data integration; speed credit memo preparation, covenant tracking, and in-depth reporting; and improve profitability in pricing practices, risk-rating and underwriting.



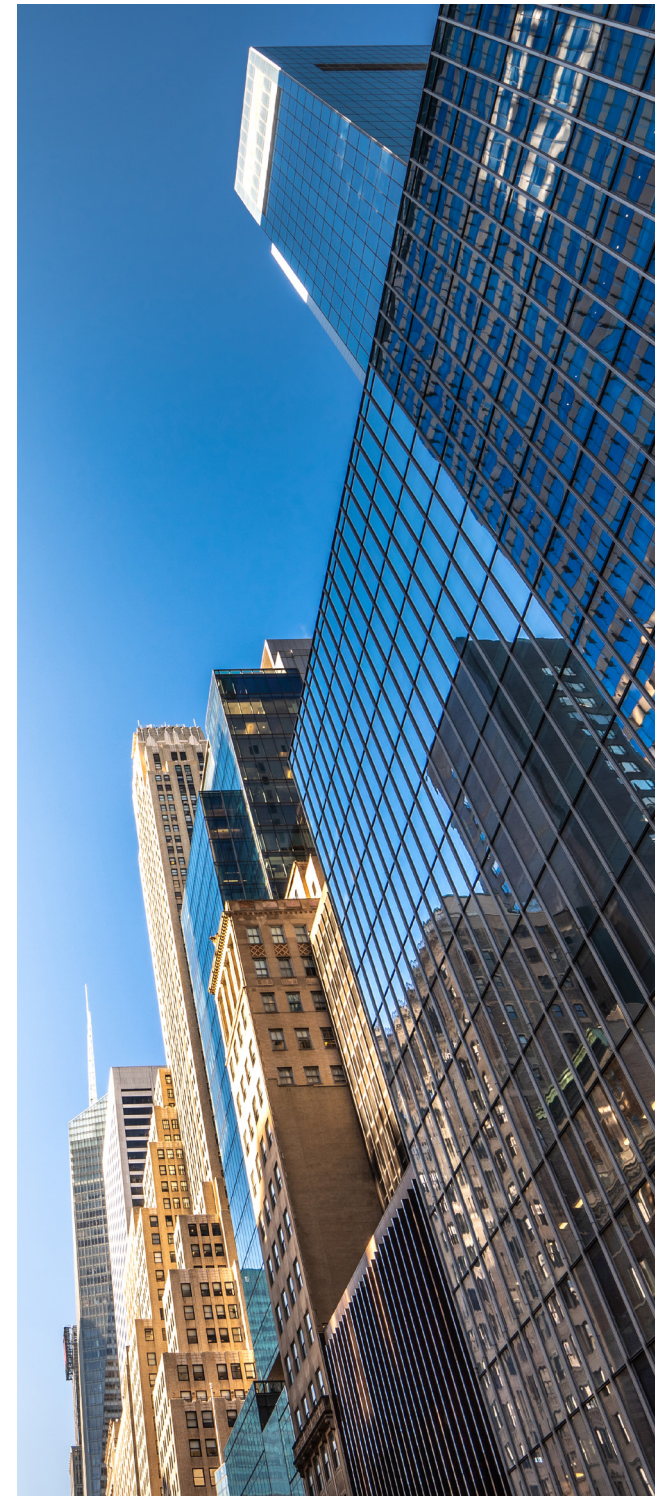
Lien management solution

Regardless of market conditions, lien perfection is essential to maintaining overall portfolio health, reducing risk, and protecting the ability to collect in default situations. A lien management solution can help commercial lenders to remediate issues, manage portfolio risk, maintain lien perfection, and keep their focus on core business priorities.



SBA lending processing

Commercial lenders can streamline their SBA lending processes by deploying a SaaS that securely stores and backs up information online and within a secure data center, providing instant access to files from any location. This type of solution enables financial institutions to lower maintenance fees, avoid server issues, eliminate hardware costs, respond faster to clients, strengthen compliance, and achieve greater efficiency with the ability to manage any loan volume.



Conclusion

As markets continue to fluctuate, compliance regulations change, and cost pressures rise, commercial lenders must embrace solutions that help them save time, reduce risk, scale back error-prone manual tasks, improve operational efficiencies, and meet growing borrower demands. To position for success in such a competitive, unstable environment, financial institutions need a proven partner with the expertise to help navigate challenges from every angle.

Combining deep domain knowledge with advanced technology, Wolters Kluwer offers a full breadth of solutions specifically designed to help commercial lenders thrive — resulting in a stronger commercial lending portfolio, streamlined compliant lending processes, and accelerated success. Our comprehensive offering includes:

- ✓ Compliance analytics and intelligence software that can be customized to meet your existing needs and budget
- ✓ A single compliance engine enabling document compliance certainty enterprise-wide
- ✓ Highly configurable document generation and loan processing
- ✓ A purpose-built eAsset Management platform for multiple asset classes that meets all legal requirements
- ✓ Simple, intuitive, and compliant eSignature across the lending lifecycle in every asset class
- ✓ A powerful commercial lending software solution providing straight-through processing across every step of the commercial loan lifecycle
- ✓ An industry-leading lien management system that helps lenders manage risk and simplify complexity across their entire portfolio
- ✓ A lending processing system that helps streamline your SBA activities



**Ready to modernize
your digital lending strategy?**

Explore how Wolters Kluwer can help
you adapt to market shifts and rising
borrower demands →

About Wolters Kluwer Financial & Corporate Compliance

Wolters Kluwer (EURONEXT: WKL) is a global leader in information solutions, software and services for professionals in healthcare; tax and accounting; financial and corporate compliance; legal and regulatory; corporate performance and ESG. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with technology and services.

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.

Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX, Euro Stoxx 50, and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the US (WTKWY).

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