incedo

**eBook**

# The Definitive Guide to 30+ Key KPIs in Consumer Lending

*...And How AI + Decision Automation can Optimize each KPI to Enhance Business Outcomes*

# What's Inside?

# incedo

## 1 The Need to Prioritize KPIs & Drive Consumer Lending Outcomes

In a world dictated by disruption and uncertainties, KPIs have an indispensable role to enable Banks and Credit Unions stay aligned to their top priorities, and achieve targeted business outcomes.

**Retail Banks and Credit Unions face a variety of challenges in lending —increasing market share, driving profitability, and mitigating risks.**

**1.** Open Banks and Credit Unions drives customer retention challenges with cheaper loans.

**2.** Growing trend for embedded lending cannibalizing market share and customer relationships.

**3.** Heightened default risk from layoffs and other macroeconomic uncertainties.

Tracking high-priority KPIs help Banks and Credit Unions optimize their time, effort, and resources. Further, they allow to measure performance, identify improvements, and make data-driven decisions to enhance profitability and business viability.

For instance, 'Cost per Unit Originated' is a key KPI for consumer lenders. Mortgage Lenders who leveraged technology across the loan lifecycle managed to **save 13% cost per loan.**\*

This definitive guide from Incedo prioritizes 30+ consumer lending KPIs with strong correlation to business outcomes and highlights how AI + Decision Automation (DA) can enhance profitability, risk mitigation, productivity, customer experience etc.

*\*(Source: Freddie Mac | Cost to Originate Study) https://sf.freddiemac.com/content/_assets/resources/pdf/report/cost-to-originate.pdf)*

**2** **Periodic Table of Key KPIs in Consumer Lending**

| Legend | |
|---|---|
| ■ Loan Origination | ■ Loan Collections |
| ■ Loan Servicing | ■ Overarching Business KPIs |

| Customer Acquisition Cost | Loan Pipeline Volume | Fallout Rate | Abandoned Loan Rate | Decision to Close Time Cycle |
|---|---|---|---|---|
| Number of Touchpoints: Consumer Loan Processing | Pull-Through Rate | Average Cycle time | Cost Per Unit Originated | Average Loan Size |
| Average Origination Value | | | | |
| Delinquency Rate | Roll Rate | Payments Processed Per Employee | Servicing Issues per Loan | Cross-Sell & Up-Sell |
| Response/ Resolution time | Payoffs Processed Per Employee | Profit Per Loan | Average Loan Balance | |
| Recovery rate | High-Risk Accounts | Cost of Collections | Days Sales Outstanding | Collector Effectiveness Index |
| Promise-to-pay rate from outbound calls | Active Customer Accounts per Collection Employee | Profit Per Account | Net Charge-off rate | |
| Loan Yield | Total consumer lending expense | Consumer loans closed per channel/branch | Net Promoter Score | |

## 3 AI + Decision Automation in Consumer Lending

### Artificial Intelligence (AI)

AI analyzes borrower data like—income, employment, and credit history–from multiple sources to assess credit worthiness. It uses root cause analysis to detect anomalies and pinpoint the most pressing KPIs for optimizing impact on your business.

Use cases include recommending the best loan offers, interest rates, repayment plans, etc.

### Decision Automation (DA)

DA is the future-ready state of automation. It uses technology and algorithms to make lending decisions and integrate them into daily consumer lending operations — based on predefined rules, that are continuously refined based on implementation feedback.

Use cases include underwriting, credit scoring, taking loan approval, and best offer decisions based on borrower's risk assessment.

### Consumer Lending Outcomes Realized with AI + DA

- ✓ Higher revenues & profit
- ✓ Enhanced risk management
- ✓ Increased efficiency & productivity
- ✓ Optimized costs
- ✓ Enhanced cash flows
- ✓ Superior customer experience
- ✓ Growth in customer base and market share

**incedo**

# Key Consumer Lending KPIs: How AI + Decision Automation Optimizes Outcomes

| Key Origination KPIs | Key Servicing KPIs | Key Collections KPIs | Overarching Business KPIs |

## 1. Customer Acquisition Cost

**KPI Definition**
The expense of acquiring a new customer  marketing & personnel cost.

**How AI + DA Improves the KPI**
Analyzes customer data to identify the most effective marketing channels & strategies, and improves lead targeting & conversion.

**Business Outcomes Optimized**
Optimized cost, enhanced profitability and maximized ROI.

## 2. Loan Pipeline Volume

**KPI Definition**
Loan prospects at each stage — from lead to disbursal.

**How AI + DA Improves the KPI**
Assesses credit risk swiftly, faster loan processing & approval, and greater accuracy in pricing loans.

**Business Outcomes Optimized**
Increased customer acquisitions, revenues, profitability, efficiency and optimized cost.

## 3. Fallout Rate

**KPI Definition**
Rate swap for fixed or variable rate loans.

**How AI + DA Improves the KPI**
Analyzes data and market conditions for highly accurate interest rate predictions, and segments borrowers by fixed or variable rate preferences.

**Business Outcomes Optimized**
Better risk management, increased customer acquisitions, cash flow stability, maximized revenues & profitability.

| Key Origination KPIs | Key Servicing KPIs | Key Collections KPIs | Overarching Business KPIs |

## 4. Abandoned Loan Rate

**KPI Definition**
Percentage of approved loan applications abandoned by borrowers.

**How AI + DA Improves the KPI**
Determines the most suitable loan offer—loan amount, interest rate, and repayment schedule for the borrower.

**Business Outcomes Optimized**
Maximized revenues, profitability, and better customer experience.

## 5. Decision to Close Time Cycle

**KPI Definition**
Days required to close and fund a loan after underwriting decision.

**How AI + DA Improves the KPI**
Analyzes data to determine optimum and competitive loans pricing to loan pricing time.

**Business Outcomes Optimized**
Increased customer acquisitions, market share, revenues and enhanced customer experience.

## 6. Number of Touchpoints: Consumer Loan Processing

**KPI Definition**
Number of times information is requested from the borrower before loan approval.

**How AI + DA Improves the KPI**
Simplifies the loan origination & application process, and, minimizes customer queries.

**Business Outcomes Optimized**
Reduced operational cost, increased efficiency, and improved customer experience.

## 7. Pull-Through Rate

**KPI Definition**
Percentage of loan applications closed and funded by the lending institution.

**How AI + DA Improves the KPI**
Automates credit scoring and underwriting by analyzing borrower data to offer personalized loan products.

**Business Outcomes Optimized**
Increased customer acquisitions, revenues, profitability, operational efficiency, cost savings and better customer experience.

## 8. Average Cycle time

**KPI Definition**
The average number of days to process and close a loan.

**How AI + DA Improves the KPI**
Analyzes data to identify risks, automate credit scoring and underwriting.

**Business Outcomes Optimized**
Enhanced revenues, market share, profitability, and customer experience.

## 9. Cost Per Unit Originated

**KPI Definition**
Total expense incurred by a lender to originate a single loan.

**How AI + DA Improves the KPI**
Analyzes data to accurately predict borrower needs and automates—credit scoring, risk assessment, underwriting, and, streamlines loan origination.

**Business Outcomes Optimized**
Reduced costs, better risk management, increased efficiency and profitability.

## 10.  Average Loan Size

**KPI Definition**
The average dollar value of the loan issued by the lender.

**How AI + DA Improves the KPI**
Analyzes data to determine borrower risk & credit worthiness, automates underwriting to determine optimum loan value.

**Business Outcomes Optimized**
Increased revenues, profitability, market share and  customer satisfaction.

## 11.  Average Origination Value

**KPI Definition**
Revenue earned per loan including origination, underwriting, and other fees.

**How AI + DA Improves the KPI**
Analyzes data to decide the optimal fee structure and charge personalized fees based on borrower creditworthiness and risk.

**Business Outcomes Optimized**
Increased revenues, profitability, market share and customer satisfaction.

| Key Origination KPIs | **Key Servicing KPIs** | Key Collections KPIs | Overarching Business KPIs |

## 1. Delinquency Rate

**KPI Definition**
Percentage of loans that are past due but not yet in default.

**How  AI + DA Improves  the KPI**
Analyzes data to determine borrower behavior, optimal channel & contact time, and sends personalized payment due reminders.

**Business Outcomes Optimized**
Enhanced risk management, operational efficiency, productivity, customer experience, profitability, cash flows,  optimized costs.

## 2. Roll Rate

**KPI Definition**
Percentage of delinquent borrowers, after two months, who become more delinquent each month.

**How AI + DA Improves the KPI**
Analyzes data  to determine borrower's credit worthiness, ability to pay, repayment terms and early intervention.

**Business Outcomes Optimized**
Maximized revenues, better cash flows and risk management, optimized cost of loan servicing, and customer satisfaction.

## 3. Payments Processed per Employee

**KPI Definition**
Number of loan payments processed by an employee during a specific period.

**How  AI + DA Improves the KPI**
Analyzes data to identify potential issues and determines opportunities for proactive payment management.

**Business Outcomes Optimized**
Maximized efficiency, productivity, optimized cost & enhanced profitability.

*Periodic Table*

## 4. Servicing Issues Per Loan

**KPI Definition**
Number of servicing issues faced by an employee or borrower per loan.

**How AI + DA Improves the KPI**
Analyzes borrower data, payment history & communication preferences to identify and resolve servicing issues at speed and scale.

**Business Outcomes Optimized**
Increased customer satisfaction, revenues, efficiency, optimized costs, enhanced cash flows and profitability.

## 5. Cross-Sell & Up-Sell

**KPI Definition**
Marketing additional loan products or higher value loans to existing customers.

**How AI + DA Improves the KPI**
Analyzes data from multiple sources to identify borrower needs and targeted product recommendations.

**Business Outcomes Optimized**
Increased revenues, portfolio size, profitability, market share at optimized costs and enhanced customer experience.

## 6. Response/Resolution time

**KPI Definition**
Time taken to respond and resolve a customer query.

**How AI + DA Improves the KPI**
Analyzes data to identify borrower needs & issues, and offers targeted solutions.

**Business Outcomes Optimized**
Enhanced customer experience & satisfaction, improved efficiency & productivity, optimized costs and profitability.

| Key Origination KPIs | **Key Servicing KPIs** | Key Collections KPIs | Overarching Business KPIs |

## 7.  Payoffs Processed Per Employee

**KPI Definition**
Number of complete loan repayments handled per employee.

**How  AI + DA Improves the KPI**
Analyzes data to determine credit worthiness, personalizes payment alerts, determines default risk and optimizes repayment terms.

**Business Outcomes Optimized**
Enhanced revenues, profitability, cash flows and ability to fund new loans.

## 8.  Profit Per Loan

**KPI Definition**
The present value of earnings from a loan minus all expenses on the loan.

**How  AI + DA Improves the KPI**
Analyzes data to determine default risk, optimized interest rates & repayment terms per borrower, improved productivity & efficiency.

**Business Outcomes Optimized**
Increased revenues,  cash flows,  customer satisfaction,  optimized costs, profitability and ROI.

## 9.  Average Loan Balance

**KPI Definition**
Average outstanding balance of a loan or loan portfolio  over a specific time period.

**How  AI + DA Improves the KPI**
Analyzes borrower data to identify default risk, optimizes communication and repayment terms to accelerate pay-offs.

**Business Outcomes Optimized**
Enhanced revenues, cash flows, customer satisfaction, optimized costs and profitability.

Periodic Table

Key Origination KPIs | Key Servicing KPIs | **Key Collections KPIs** | Overarching Business KPIs

## 1. Recovery Rate

**KPI Definition**

Total amount that can be recovered from the loan defaults.

**How AI + DA Improves the KPI**

Analyzes real-time borrower data to determine default risk & repayment ability, optimal channel & time to contact and helps in loan restructuring.

**Business Outcomes Optimized**

Better risk management, increased revenues, productivity, customer satisfaction, enhanced cash flows and optimized costs.

## 2. High-Risk Accounts

**KPI Definition**

Potential bad debt accounts with high value and high-risk.

**How AI + DA Improves the KPI**

Analyzes real-time borrower data to predict default risk & repayment ability, optimal channel & time to contact and helps in loan restructuring.

**Business Outcomes Optimized**

Better risk management, increased revenues, productivity, customer experience and optimized cost.

## 3. Cost of Collections

**KPI Definition**

Expenses incurred on collection activities.

**How AI + DA Improves the KPI**

Analyzes borrower data in real-time to determine optimal repayment terms, channel, and time to contact.

**Business Outcomes Optimized**

Increased productivity, revenues, better cash flows, optimized costs and profitability.

## 4. Days Sales Outstanding

**KPI Definition**
Average number of days taken to collect payment on outstanding loans.

**How  AI + DA Improves the KPI**
Analyzes borrower data in real-time to determine borrower behavior, credit worthiness, default risk and repayment terms.

**Business Outcomes Optimized**
Enhanced risk management,  operational efficiency, productivity, revenues, cash flows and cost savings.

## 5. Collector Effectiveness Index

**KPI Definition**
Total amount recovered  against the total amount of delinquent debt assigned to the collector.

**How  AI + DA Improves the KPI**
Analyzes real-time data to prioritize accounts by credit worthiness, contact time and channel, and helps in loan restructuring.

**Business Outcomes Optimized**
Increased productivity, revenues, better cash flows, optimized costs and profitability.

## 6.  Promise-to-pay rate from outbound calls

**KPI Definition**
Percentage of calls that end with a promise to pay the debt.

**How  AI + DA Improves the KPI**
Analyzes data to determine borrower behavior, default risk and optimizes repayment terms.

**Business Outcomes Optimized**
Increased efficiency,  productivity, customer satisfaction, revenues, optimized costs and profitability.

## 7. Active Customer Accounts Per Collection Employee

**KPI Definition**
Number of active accounts handled per collection employee against the total number of active accounts.

**How AI + DA Improves the KPI**
Analyzes data to prioritize accounts by creditworthiness, contact time & channel, and optimizes repayment terms.

**Business Outcomes Optimized**
Increased, efficiency, productivity, revenues, optimized costs and profitability.

## 8. Profit Per Account

**KPI Definition**
Amount of return generated per delinquent account minus the cost of collection.

**How AI + DA Improves the KPI**
Analyzes data to determine default risk early, prioritizes accounts by credit worthiness, optimizes repayment terms.

**Business Outcomes Optimized**
Increased productivity, better risk management, cash flows, revenues, optimized costs and profitability.

## 9. Net Charge-Off Rate

**KPI Definition**
The difference between the amount of gross charge-offs and any recoveries from delinquent debt.

**How AI + DA Improves the KPI**
Analyzes data to prioritize accounts by creditworthiness, contact time & channel, and optimizes repayment terms.

**Business Outcomes Optimized**
Better risk management and cashflows, enhanced customer experience & satisfaction, increased recovery revenues and ROI

Periodic Table

| Key Origination KPIs | Key Servicing KPIs | Key Collections KPIs | **Overarching Business KPIs** |
|---|---|---|---|

## 1. Loan Yield

**KPI Definition**

Total interest income from loans for a given year divided by the average total gross loans for the same period.

**How  AI + DA Improves the KPI**

Analyzes borrower data and market conditions to optimize loan size and interest rate per borrower at speed and scale.

**Business Outcomes Optimized**

Increased revenues, profitability and ROI.

## 2. Total Consumer Lending Expense

**KPI Definition**

Total expense incurred by consumer lending over a specific period of time across the loan lifecycle.

**How AI + DA Improves the KPI**

Analyzes data to better manage risks, improves efficiency & productivity, across the loan lifecycle.

**Business Outcomes Optimized**

Optimized costs, increased revenues & profitability, enhanced cash flows and ROI.

## 3. Consumer Loans Closed per Channel/ per Branch

**KPI Definition**

Number of loans settled  per channel or branch after all dues and charges have been completed by the borrower.

**How  AI + DA Improves the KPI**

Analyzes data to predict optimum loan size & interest rates,  default risks, provides personalized payment reminders and repayment terms.

**Business Outcomes Optimized**

Increased revenues, cash flows, profitability, cost optimization and enhanced customer experience & satisfaction.

## 4. Net Promoter Score

**KPI Definition**

Measures customer satisfaction and loyalty by subtracting the total number of detractors from promoters.

**How AI + DA Improves the KPI**

Analyzes data to offer targeted loan products, predicts & responds to customer needs, manages risk and optimizes repayment options.

**Business Outcomes Optimized**

Enhanced customer experience and satisfaction.

# 5 AI + Decision Automation (DA) Checklist: Mapping KPIs to Consumer Lending Outcomes

## Loan Origination

| KPI Performance Indicator | Increase Profitability | Maximize Revenues | Grow Market Share | Customer Acquisition | Increase Efficiency & Productivity | Optimize Cost | Better Cash Flow | Improve CX & Satisfaction | Manage Risk |
|---|---|---|---|---|---|---|---|---|---|
| Customer Acquisition Cost | ✓ | – | – | – | – | ✓ | – | – | – |
| Loan Pipeline Volume | ✓ | ✓ | – | ✓ | – | ✓ | – | – | – |
| Fallout Rate | ✓ | ✓ | – | ✓ | – | – | ✓ | – | ✓ |
| Abandoned Loan Rate | ✓ | ✓ | – | – | – | – | – | ✓ | – |
| Decision to Close Time Cycle | – | ✓ | ✓ | ✓ | – | – | – | ✓ | – |
| Number of Touchpoints: Consumer Loan Processing | – | – | – | – | ✓ | ✓ | – | ✓ | – |
| Pull-Through Rate | ✓ | ✓ | – | ✓ | ✓ | ✓ | – | ✓ | – |
| Average Cycle Time | ✓ | ✓ | ✓ | – | – | – | – | ✓ | – |
| Cost Per Unit Originated | ✓ | – | – | – | ✓ | ✓ | – | – | ✓ |
| Average Loan Size | ✓ | ✓ | ✓ | – | – | – | – | ✓ | – |
| Average Origination Value | ✓ | ✓ | ✓ | – | – | – | – | ✓ | – |

## Loan Servicing

| KPI Performance Indicator | Increase Profitability | Maximize Revenues | Grow Market Share | Customer Acquisition | Increase Efficiency & Productivity | Optimize Cost | Better Cash Flow | Improve CX & Satisfaction | Manage Risk |
|---|---|---|---|---|---|---|---|---|---|
| Delinquency Rate | ✓ | – | – | – | ✓ | ✓ | ✓ | ✓ | ✓ |
| Roll Rate | – | ✓ | – | – | – | ✓ | ✓ | ✓ | – |
| Payments Processed Per Employee | ✓ | – | – | – | ✓ | ✓ | – | – | – |
| Servicing Issues Per Loan | ✓ | ✓ | – | – | ✓ | ✓ | ✓ | ✓ | – |
| Cross-Sell & Up-sell | ✓ | ✓ | ✓ | – | – | ✓ | – | ✓ | – |
| Response/ Resolution Time | ✓ | – | – | – | ✓ | ✓ | – | ✓ | – |

| KPI Performance Indicator | Increase Profitability | Maximize Revenues | Grow Market Share | Customer Acquisition | Increase Efficiency & Productivity | Optimize Cost | Better Cash Flow | Improve CX & Satisfaction | Manage Risk |
|---|---|---|---|---|---|---|---|---|---|
| Payoffs Processed Per Employee | ✓ | ✓ | – | – | – | – | ✓ | – | – |
| Profit Per Loan | ✓ | ✓ | – | – | – | ✓ | ✓ | ✓ | – |
| Average Loan Balance | ✓ | ✓ | – | – | – | ✓ | ✓ | ✓ | – |

## Loan Collections

| KPI Performance Indicator | Increase Profitability | Maximize Revenues | Grow Market Share | Customer Acquisition | Increase Efficiency & Productivity | Optimize Cost | Better Cash Flow | Improve CX & Satisfaction | Manage Risk |
|---|---|---|---|---|---|---|---|---|---|
| Recovery Rate | – | ✓ | – | – | ✓ | ✓ | – | – | ✓ |
| High-Risk Accounts | – | ✓ | – | – | ✓ | ✓ | – | ✓ | ✓ |
| Cost of Collections | ✓ | ✓ | – | – | ✓ | ✓ | ✓ | – | – |
| Days Sales Outstanding | – | ✓ | – | – | ✓ | ✓ | ✓ | – | ✓ |
| Collector Effectiveness Index | ✓ | ✓ | – | – | ✓ | ✓ | ✓ | – | – |
| Percentage of Outbound Calls Resulting in Promise to Pay | ✓ | ✓ | – | – | ✓ | ✓ | – | ✓ | – |
| Active Customer Accounts Per Collection Employee | ✓ | ✓ | – | – | ✓ | ✓ | – | – | – |
| Profit Per Account (PPA) | ✓ | ✓ | – | – | ✓ | ✓ | ✓ | – | ✓ |
| Net Charge-Off Rate | – | ✓ | – | – | – | – | – | ✓ | ✓ |

## Overarching Business KPIs

| KPI Performance Indicator | Increase Profitability | Maximize Revenues | Grow Market Share | Customer Acquisition | Increase Efficiency & Productivity | Optimize Cost | Better Cash Flow | Improve CX & Satisfaction | Manage Risk |
|---|---|---|---|---|---|---|---|---|---|
| Loan Yield | ✓ | ✓ | – | – | – | – | – | – | – |
| Total Consumer Lending Expense | ✓ | ✓ | – | – | – | ✓ | ✓ | – | – |
| Consumer Loans Closed Per Channel/ Per Branch | ✓ | ✓ | – | – | – | ✓ | ✓ | ✓ | – |
| Net Promoter Score | ✓ | ✓ | – | – | – | – | – | ✓ | – |

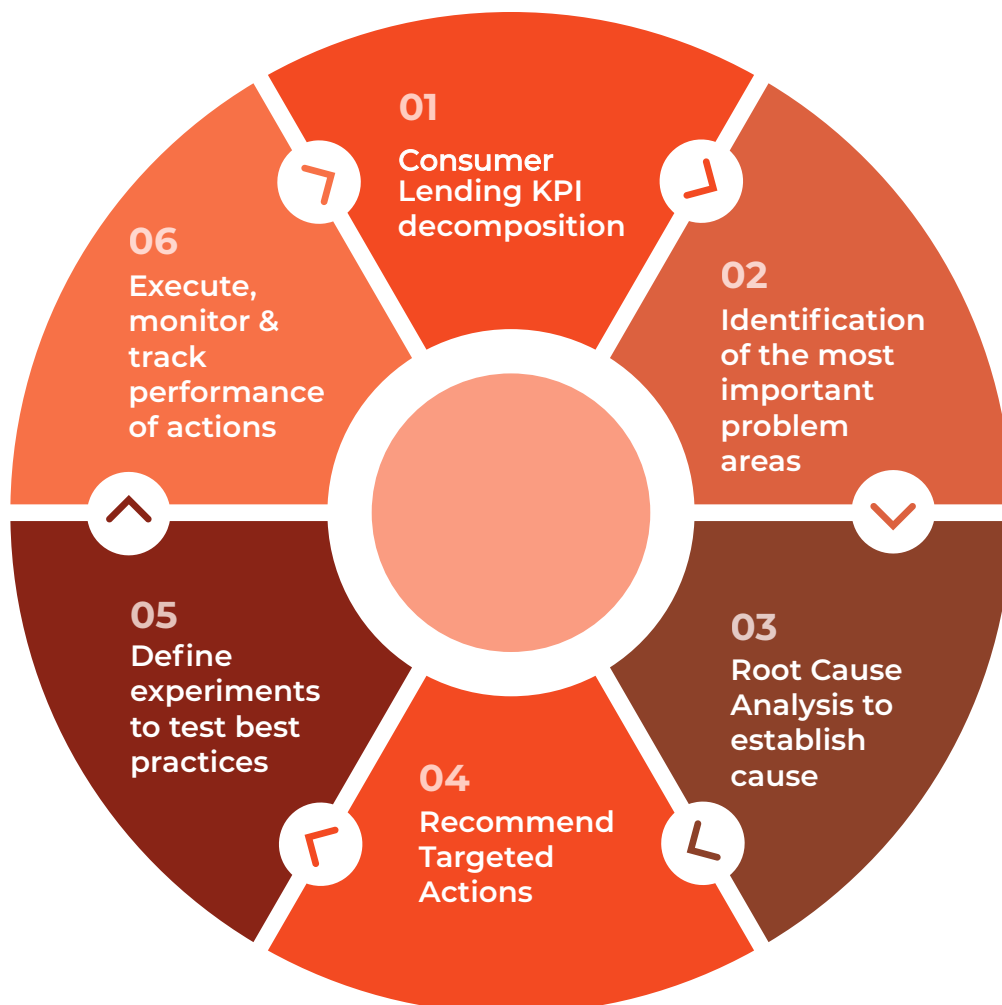# Optimize Outcomes in Consumer Lending with Incedo Lighthouse™

Incedo Lighthouse™ is an AI-driven Decision Automation platform that enables an end-to-end continuous data-insights-actions journey to improve operational metrics and realize business outcomes for consumer lending institutions.

Lighthouse distills signal from noise by setting KPIs to identify the right problem areas for Banks and Credit Unions to focus on, and, leverages intelligent root cause analysis to identify the underlying behavioral factors of KPI anomaly. It further offers self-serve insights to help consumer lending executives to determine the most effective actions by evaluating action alternatives with controlled experiments - and use that learning to iteratively improve business outcomes from the decisions taken.

**Explore Incedo Lighthouse™** ›        **Schedule Free Demo** ›

## Incedo Lighthouse™ AI-driven Decision Automation platform

**01**
Consumer Lending KPI decomposition

**02**
Identification of the most important problem areas

**03**
Root Cause Analysis to establish cause

**04**
Recommend Targeted Actions

**05**
Define experiments to test best practices

**06**
Execute, monitor & track performance of actions

## About Incedo

Incedo is a digital transformation expert empowering companies to realize sustainable business impact from their digital investments. Our integrated services and platforms that connect strategy and execution, are built on the foundation of Design, AI, Data, and strong engineering capabilities blended with our deep domain expertise from digital natives.

With domain experts in the US, Canada, Latin America, and India and a large, diverse portfolio of long term, Fortune 500 and fast-growing clients worldwide, we work across financial services, telecom, product engineering, and life sciences industries.

**incedo**