

# how to overcome net interest margin compression and slower loan demand



## recent lending changes

- In 2023, we saw high interest rates, inflation and talks of a recession impact both loan demand and the borrower's ability to repay.
- As a result, banks and credit unions have seen shrinking margins and loan momentum slow while delinquencies and charge-offs rise into 2024.



## turn challenges into opportunities

- With slim net interest margins and potential credit challenges, you need to focus on managing your risk, recognizing evolving consumer expectations and technology advancements, and modernizing your lending platform to create a better applicant journey. You can attract more borrowers while mitigating credit risk by automating and optimizing your lending environment.
- In fact, **97% of financial institutions** plan to **enhance their loan capabilities** with enhanced data analytics and automated workflows, followed by intelligent document processing and management, and a single platform for consumer, small business and commercial loans.



## priorities for financial institutions in 2024

- While most financial institutions plan to **enhance their lending capabilities** over the next two years, priorities diverge sharply and predictably between banks and credit unions.
- Banks show a higher interest in small business loans (**83%\***), commercial real estate (**70%\***), commercial and industrial (**80%\***), construction (**48%\***), and agriculture (**43%\***) loans.
- While credit unions are keenly focused on mortgages (**76%\***), home equity lines of credit (**72%\***), direct auto loans (**75%\***), and indirect auto loans (**42%\***).<sup>1</sup>

*\*Statistically significant*



## what you can do

- The lending outlook for the **2024 is expected to be sluggish**. Use this time to reposition yourself for a more favorable lending market.
- **Three ways you can differentiate** from your competitors:
  - Embrace digitalization
  - Leverage automation to streamline a loan origination system
  - Combine open banking, alternative data, and data analytics to create an integrated approach to lending

These strategies can speed up your loan approval process, drive personalization and data insights, reduce risk, improve credit quality, and expand addressable markets (including SMB lending).



## connecting possibilities

[Contact us](#) to learn how you can meet the needs of your borrowers with industry-leading technology.

For more information about Jack Henry, visit [jackhenry.com](https://jackhenry.com).