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cutting through complexity

Winning customers over requires innovative thinking

Process efficiency is said to be key to driving borrower satisfaction

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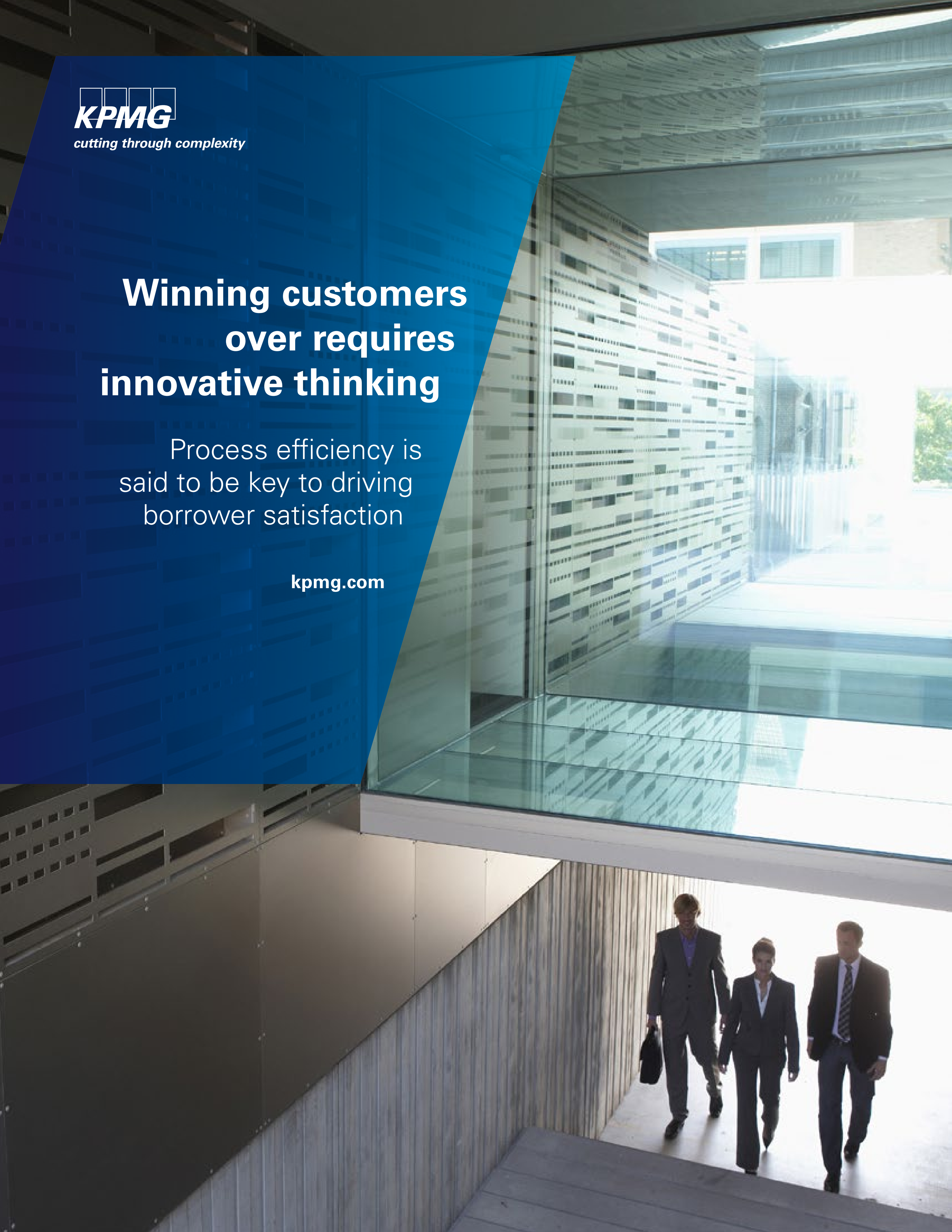

Let’s be honest. As an industry, lenders have done a terrific job of confusing and frustrating borrowers. In seven short years, the process has gone from one extreme to another, approving loans with little to no down payment, income, or assets, while allowing credit quality to erode.

Then came a total reversal in which only the pristine borrower with strong credit, verifiable assets, and income could get financed. Consumers report that getting a mortgage or dealing with their mortgage servicer is one of the most frustrating experiences they face. Should lenders be surprised?

As the mortgage lending industry continues to work through a myriad of challenges, one truth is emerging clearly. Consumers will be won or lost based on how easy lenders make it to engage with them.

While giving borrowers a smooth and efficient process is key to winning them over, the successful lender of tomorrow must recognize the need to reinvent the process, to give borrowers an experience that allows them to engage wherever they are and on whatever device they want. This article explores how process efficiencies are the key to winning today’s borrower as well as the borrower of the future.

Managing expectations

What do borrowers really want? As complicated as mortgage bankers make this business, it comes back to three basic things: helping borrowers understand the process, not wasting their time, and keeping the commitments that have been made. The lenders winning over today’s borrower understand that effective processes for managing customer engagement are critical to winning and retaining clients.

Whether the process takes 15 days or 60 days to complete, managing borrower expectations up front should be job one. It starts by simplifying the application process. This also includes interpreting the underwriting guidelines to remove some of the mystery behind the process. No one likes surprises (that often come in the form of what they perceive as bad news) when getting a mortgage.

Even worse is the communication “black hole” that exists throughout the approval process—and that borrowers would argue continues throughout the life of their mortgage. Borrowers should have a transparent view into all of their loan’s processes.

A common complaint from borrowers is about lenders wasting their time. From providing the same documentation more than once to answering the same question over and over, borrowers want a process that is transparent and well organized. From the first point of contact through making a repayment arrangement, customer satisfaction doesn’t happen unless the customers think they’re being treated respectfully.

A recent study on mortgage servicer satisfaction shows interesting trends in this area. Servicer satisfaction is on the rise based on improvements in the digital interface available to borrowers. However, these scores may be a misnomer in that they simply reflect how low the bar is set. Going from “just awful” to “less awful than it used to be” gives us little to cheer for. There is little indication borrowers are truly satisfied.

Let’s remember that customers are being trained through their experiences in other industries. What they are learning is they can be at the center of it all and those expectations carry over to mortgages as well. Almost every other aspect of their lives is becoming faster and easier—from depositing a picture of a check to shopping for a home.

Meeting the commitments made to borrowers—doing what we say when we say—is going the last mile. Since the early days of the industry, lenders have functioned in an operational “feast or famine” mode. If they aren’t hiring staff to keep up with demand, they are trimming staff to manage volume downturns or increased production costs. Whether it’s funding a loan on time or sending a payoff statement, there are some customers who think mortgage lenders and servicers are not good at keeping their promises.

A Stanford study[1] on consumer happiness found that selling timeliness of service could be more effective in winning customers than selling price. In other words, make a promise to the customer and keep it. That’s the key to driving customer satisfaction.

It’s evident that the fundamental business model used for mortgage banking for decades just isn’t adequate anymore. In fact, the delta between what it can do and what consumers, investors, regulators—all stakeholders really—require is getting wider and wider. How do lenders meet those expectations and make the lending model more efficient?

[1] Jennifer Aaker: The Happiness -Time Connection. March 1, 2009.

Engaging the borrower

Calling the mortgage process “fun” may be a bit extreme, especially given the complexity. However, is the idea of making the mortgage process enjoyable, or at the very least painless, completely farfetched? Given the results seen in other industries, excellence is a concept that consumers are beginning to understand and relate to.

Few would argue that the commercial airline experience has been anything short of stellar during the last decade. Whether it is long check-in lines, lost luggage, or poor customer service, the average fliers are often finding themselves frustrated with the overall experience. Yet one major discount airline leads the way in customer satisfaction year after year. By adding a little more legroom, treating people nicely, and giving them a screen with viewing options they control, the airline has done something remarkable. It has given the customer, someone held captive throughout the flight, a small degree of control (while adding a little fun into the process).

In some ways, the airline and mortgage industry share common challenges. Once the decision is made (either boarding the plane or signing the application), the consumer is relatively helpless. While the pilot will often manage basic expectations by communicating the route to be taken, potential weather delays, etc., few lenders have designed a process to manage their equivalent of this simple but critical step. Perhaps bankers should apply the same thinking to mortgage lending.

Why can’t consumers have total transparency and track their loan (start to finish) through a smartphone application? Borrower surveys point to the time between application and approval as being the most stressful for borrowers. If anxiety is driven by the unknown, shouldn’t lenders take the unknown out of the equation? As it turns out, some lenders already have.

A document prep company serving the mortgage industry has already developed technology that enables lenders to create this type of transparency for their borrowers. One lender revealed to the company that their rise in customer satisfaction scores was credited to improved visibility for the consumer.

Challenging conventional thinking

True innovation begins with changing how companies view the business. The world's most successful coffee chain took something as simple as coffee grounds and water and turned it into an experience. One of the most revered online shoe sellers earned recognition for transforming the ways people buy shoes through stellar customer service. Both brands took conventional wisdom and turned it on its head. Is it conceivable that the big winner in the race for mortgage dominance will be the disrupter—the firm no longer willing to accept that things should work a certain way?

A lender's ability to leverage data, expose self-service capabilities and transparency across multiple channels, drive data analytics, and cross-sell through an understanding of customer behaviors and transactions will be the mortgage company that challenges conventional thinking.

As a society, we've become hooked on technology. From smartphones to tablets to laptops, it's a 24-7 experience. The lender that uses technology to innovate the process, to look beyond the status quo and bring the experience to the customer, will be taking the first step toward making the process enjoyable.

Yet, what if the future of mortgage lending looked far different than anyone has imagined, a world that puts the consumer in the driver seat?

Until now, we've discussed change at a minor level. While greater responsiveness and a more seamless process are important steps to undertaking a transformative experience, they are just the beginning. If the industry truly experienced a real makeover, what could the future of mortgage lending look like 10 years from now?

To consider such a scenario, imagine what your daily life could look like. With the technological advancements taking place, what if electricity could be delivered wirelessly? What if computers became disposable, to be recycled like aluminum cans? What if Internet access was free much like broadcast TV was years ago?

Whether any of these ideas become a reality remains to be seen. However, change of this magnitude would require mortgage lenders to transform how they view change from a process that is reactionary to one that embraces what is possible. What if the industry could open up to consider the possibilities, and not the boundaries, of change?

Author David Levithan in his book *The Realm of Possibility* states: "Here's what I know about the realm of possibility—it's always expanding, it is never what you think it is . . . Most of the limits are of our own world's devising. And yet, every day we each do so many things that were once impossible to us."[2]

What are the things considered impossible today that housing finance will take for granted 40–50 years from now? The sheer volume of information that is available and accessible is changing rapidly. As a result, the expectations mortgage borrowers have are being influenced by experiences in other parts of their lives. What if the function of mortgage origination or servicing, as we know them today, looked completely different? What would it look like?

Is it possible that borrowers would no longer send lenders their financial information? Let's imagine that all the information resided in the cloud and borrowers granted permission to mortgage companies to examine the data to make an offer. As borrowers demand greater transparency and control of the process, it's conceivable this is the direction we are headed toward. One firm is already building a model to make this possibility a reality.

Why stop there? If information can be stored in the cloud, what if the industry went one step further with biometric identification? Imagine prospective borrowers walked through a shopping mall and stopped at a kiosk, similar to a vending machine, to get approved. A quick retinal or fingerprint scan in-between a skate around the ice rink with the kids and ordering lunch and the consumers secured their next refinance. As futuristic as the idea might sound, the technology necessary to build such a platform has already been developed.

In hockey there is an old adage. You don't skate to the puck; you skate to where the puck is going. Mortgage lenders should consider a modified version of the same. If you want to be the first mortgage banker to reach consumers, make it as simple and easy as possible for them to do business with you, wherever they are and whenever they are ready.

Are you ready to imagine the possibilities? KPMG in the US is ready to help you. Contact Mitch Siegel or Larry Walker to learn more about their thinking in this area.

[2] David Levithan: The Realm of Possibility- Knopf Books. August, 2004.

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