

Speaking Borrower Satisfaction

**NATIONAL SATISFACTION INDEX PLUS
TOPIC OF THE MONTH:
PROBLEMS, PROBLEMS, PROBLEMS!**

AN EXCERPT FROM
STRATMOR
INSIGHTS

Speaking Borrower Satisfaction



OVERVIEW

Each month's edition of STRATMOR Insights includes a Speaking Borrower Satisfaction section containing a National Borrower Satisfaction Index plus a Topic of the Month based on data collected by STRATMOR's MortgageSAT Borrower Satisfaction Program.

National Borrower Satisfaction Index

The National Borrower Satisfaction Index (Chart 1 below) displays the Total Borrower Satisfaction Score for MortgageSAT participating lenders over an 18-month period from June 2016 through November 2017.

Chart 1

18-Month Satisfaction History



This month's chart shows a satisfaction score of 90 for November 2017, the same as in October.

Borrower Satisfaction Remains The Same

As we noted last month, since February 2017 borrower satisfaction has hovered between 90 and 91, including the peak-demand periods of the Spring and Summer months. We have speculated about a possible borrower satisfaction wall or peak score beyond which it will be very difficult for any lender to achieve. The thinking here is that no matter how excellent a lender's service is, there will always be a percentage of borrowers who will be unhappy with their experience because they didn't qualify for the rate and term they expected, were annoyed by a request

	Jun, 2016	July, 2016	Aug, 2016	Sept, 2016	Oct, 2016	Nov, 2016	Dec, 2016	Jan, 2017	Feb, 2017	Mar, 2017	Apr, 2017	May, 2017	Jun, 2017	July, 2017	Aug, 2017	Sep, 2017	Oct, 2017	Nov, 2017
Satisfaction	89	89	90	90	90	90	88	89	91	91	91	90	90	90	90	91	90	90

MortgageSAT, December 2017 ©STRATMOR Group, 2017.

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for additional information (even justifiable requests) or experienced one or more of the seven deadly lender sins¹ that “just happen.” It is likely, in our opinion, that some breakthrough innovation — for example, digital mortgage — will be needed to break through this possible satisfaction wall.

TOPIC OF THE MONTH — PROBLEMS, PROBLEMS, PROBLEMS!

In our In-Focus article this month we’re looking at TRID and its effects on improving the borrower’s experience in securing a mortgage loan, a process that is not the easiest of transactions for consumers. The application approval process calls for substantial amounts of personal and financial information. And, once approved, borrowers face a fulfillment process that needs excellent lender-borrower communications, may require additional information and often results in upsetting changes in the initial loan terms, conditions and fees initially disclosed to the borrower.

So, it should come as no surprise that along the path from application to loan closing, problems will arise. Some of these problems are unavoidable, but others may reflect specific lender personnel issues or systemic problems with a lender’s systems and processes. Once a problem arises, the challenge for the lender is to quickly resolve it wherever possible to rescue the borrower experience and avoid the downside repercussions of a seriously unhappy borrower.

What is the scale of origination problems? By how much does a problem affect borrower satisfaction? And, by how much does fixing or resolving a problem mitigate the otherwise adverse impact on borrower satisfaction?

Chart 2

	Borrowers Experiencing No Problem	Borrowers Experiencing One or More Problems			Total All Borrowers
		Resolved	Not Resolved	Subtotal	
# Borrowers	90,438	15,016	4,584	19,600	110,038
% Borrowers	82.2%	13.6%	4.2%	17.8%	100.0%
Satisfaction Score (0-100)	95	79	35	69	90

MortgageSAT, December 2017 ©STRATMOR Group, 2018.

Chart 2 above, based on the MortgageSAT responses of roughly 110 thousand borrowers for full-year 2017, sheds light on these questions. First, we would note that more than 90 thousand borrowers — about five out of every six (82.2 percent) — experienced no problems. And these borrowers recorded an average satisfaction score of 95 out of a possible 100, which is outstanding.

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But 19.6 thousand borrowers — roughly one out of six (17.8 percent) — experienced one or more problems and recorded an average satisfaction score of 69. About 15 thousand, or 77 percent of these “borrowers-with-a-problem,” were able to resolve their problem(s) with the lender. And such borrowers recorded an average satisfaction score of 79. While an average score of 79 is perhaps just a passing-grade at best, it is nonetheless likely to generate some repeat business, positive referrals and, perhaps most important, few derogatory comments in social media. But, for the remaining 4.6 thousand borrowers whose problems were not resolved and recorded a terrible average satisfaction score of 35, the lender faces the prospect of virtually no repeat business, poor word-of-mouth by the borrower to friends and relatives

and, of course, negative comments on social media.

So, we see that origination problems are not a small issue; that fully one out of every six borrowers experiences a problem which, if not resolved, can have significant adverse consequences for the lender. Especially in a business environment where the borrowers experience is becoming the key source of competitive differentiation, no lender can afford to score relatively poorly in borrower satisfaction.

What are the biggest problem areas? And for which problems does resolution have the biggest payoffs? Chart 3 below provides some of the answers, with the more frequent problem areas highlighted with a white background.

Chart 3

Problem Area	# Problem	% of Total Problems	Satisfaction	% Resolved	Satisfaction Resolved	% Not Resolved	Satisfaction Unresolved
Mortgage product and pricing review	215	1.10%	73	75.35%	82	24.65%	46
Application Process / Documentation requests	2,628	13.41%	75	89.69%	79	10.31%	35
Appraisal	1,405	7.17%	86	82.28%	90	17.72%	71
Closing	2,092	10.67%	77	82.17%	84	17.83%	49
Communication	1,489	7.60%	56	68.57%	67	31.43%	31
Issue with rates	499	2.55%	69	62.32%	81	37.68%	48
Length of time to complete the process	1,008	5.14%	64	80.26%	73	19.74%	28
Issue with fees	606	3.09%	72	71.12%	82	28.88%	47
Underwriting	2,043	10.42%	77	90.46%	81	9.54%	37
Multiple areas	3,272	16.69%	40	56.66%	57	43.34%	18
Other	4,343	22.16%	77	77.09%	87	22.91%	45
Totals	19,600	100.00%	69	76.61%	79	23.39%	35

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Excluding the “Other” category that is made up of many smaller problem areas, we see that a lender really gets poor marks when a borrower has multiple problems. Even when all such problems are resolved, as they are about 57 percent of the time, satisfaction comes in at a paltry score of 57. And, if one or more of these multiple problems is not resolved, satisfaction falls to an astonishingly low score of 18.

Clearly, borrowers experiencing multiple problems are soured beyond repair. Such borrowers comprising 16.67 percent of 19.6 thousand problem borrowers — 3,272 borrowers out the 110,038 thousand borrowers in our sample. While they must be attended to, if only to get their loans closed, these borrowers represent a big drag on overall satisfaction.

Problems occurring within the application process, including document requests, comprise 13.41 percent or 2,628 of all 19,600 problem. When such problems are resolved, which happens roughly 89.69 percent of the time, the reported satisfaction score is 79. But when such problems are not resolved to the borrower’s satisfaction, reported satisfaction plummets to 35. As we have noted in “The Seven Commandments for Achieving Borrower Satisfaction” article in the June issue of STRATMOR *Insights*¹, providing borrowers with a clear upfront statement of what documents will be required and why is a “low hanging fruit” opportunity to avoid taking a big hit to borrower satisfaction.

Closing is another key problem area and includes such resolvable problems as last minute changes, missing information or discrepancies in the Loan Closing Disclosure. Such problems comprise 10.67 percent or 2,092 of all 19,600 problems. When resolved, which happens 82.17 percent of the time, satisfaction comes in at a respectable score

of 84. But when not resolved, which occurs 17.72 percent of the time and should really never happen, satisfaction falls to 49, an unacceptably low level.

Underwriting problems happen during the application process and during processing. During the application process, underwriters may ask for additional documents, which often annoys borrowers. Such requests, however, are classified as problems with the application process. The need for more borrower information can also occur during processing, often as a part of more serious underwriting problems affecting loan terms and conditions.

As noted in Chart 3, underwriting problems that occur during processing comprise 10.42 percent or 2,043 of all loans with a problem. Fortunately, such problems are resolved 90.46 percent of the time; and, when resolved, result in a satisfaction score of 81. But when not resolved, they result in a 44-point drop in satisfaction to a low score of 37. Whether or not underwriting problems are avoidable, is a good question. While more research is necessary, our take is that most underwriting problems are unavoidable unless they reflect LO or processor errors in gathering and assembling data.

Perhaps nothing bothers borrowers more than poor communications, and communications problems account for 7.60 percent or 1,489 of all 19,600 problems. Getting a mortgage is a big deal for borrowers, and MortgageSAT research has shown that borrowers hate having to take the initiative to find out the status of their loan. So, when communications problems are resolved — which happens roughly two-thirds of the time — borrower satisfaction scores nonetheless come in at a relatively low 67. But this is more than double the score of 31 reported when communications problems are not resolved.

¹See “The Seven Commandments For Achieving Borrower Satisfaction” in the June 2017 issue of the *Insights* report. ■

If you would like to learn more about STRATMOR’s MortgageSAT turnkey borrower satisfaction survey solution and how rich, drill-down data can help your company, contact MortgageSAT Director Mike Seminari at mike.seminari@stratmorgroup.com