The Borrower Satisfaction

CLOSING WHEN EXPECTED

AN EXCERPT FROM

STRATMOR *INSIGHTS*

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OVERVIEW

Every lender wants their borrower to be delighted with their mortgage experience. So why do some borrowers love their mortgage experience and others say they'll never work with that lender again (and do say this to anyone who'll listen...)?

The borrowers' experience is deeply impacted by the mortgage professionals the borrower interacts with throughout the origination process. Getting borrower feedback is essential to knowing what steps need to be taken to enhance, or improve, the origination process for the next borrowers.

Monthly, STRATMOR gathers borrower data through the borrower satisfaction survey program, MortgageSAT. STRATMOR analyzes the results across all participating lenders and creates the National Borrower Satisfaction Index.

Then, in each issue of Insights, we highlight the results for one of the many categories tracked and offer suggestions on using this information to improve the borrowers' experience. This month, we look at the category of **Closing When Expected.**

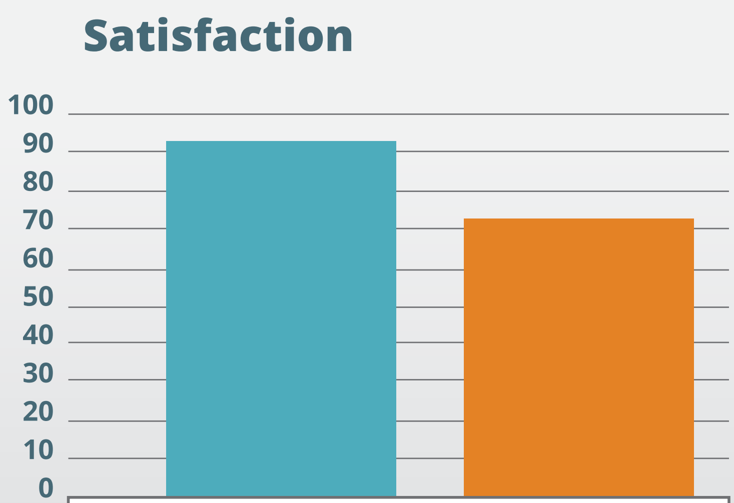
CLOSING WHEN EXPECTED

One of the seven commandments for achieving borrower satisfaction is "Thou shalt close loans within the expected timeframe."[1]

Bottom line: borrowers expect their loans to close within the time frame indicated by the lender. Typically, this is the date indicated in the Loan Estimate Disclosure which, for purchase loans, is usually the date anticipated for closing on the home.

Closing a loan later than the expected date makes borrowers very unhappy and, based on MortgageSAT data, results in a 21-point drop in average satisfaction (see Chart 1). While some delays in the closing date are unavoidable, it is important to proactively manage borrower expectations.

Chart 1

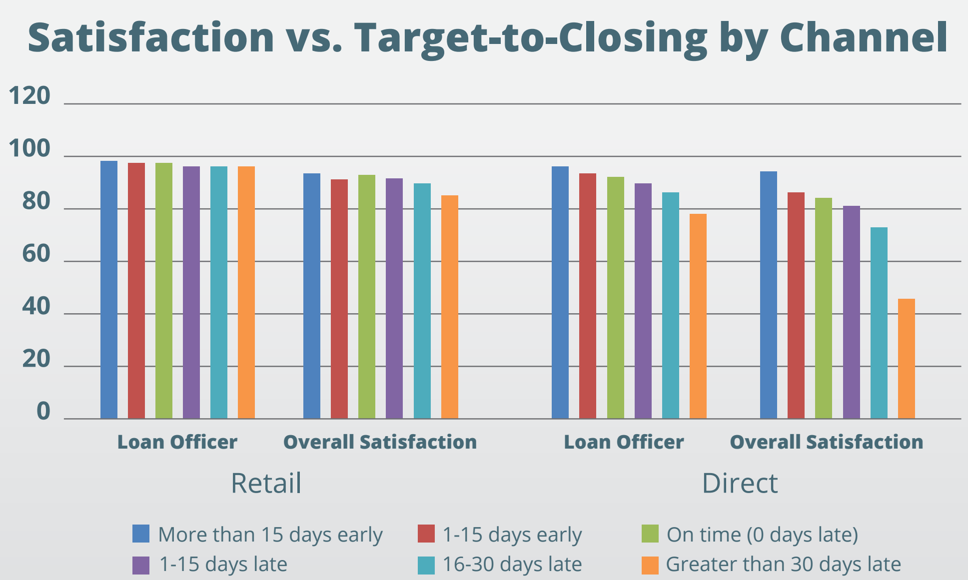


	Satisfaction
Closed in expected timeframe	93
Did not close in expected timeframe	72

Souce: STRATMOR MortgageSAT © STRATMOR Group, 2018

Chart 2 illustrates LO and Overall Satisfaction scores as a function of the difference between the date when a loan actually closes and its target closing date for both Retail and Consumer Direct originations.

Chart 2



Souce: STRATMOR MortgageSAT © STRATMOR Group, 2018

What the Numbers Show

The Retail Loan Officer's relationship with the borrower may be a buffer against negative satisfaction numbers.

- The Retail LO Satisfaction score is 97 when the loan is closed more than 15 days early (the blue column). This score drops to 95 (the orange column) when the loan closing is more than 30 days late.
- Overall Satisfaction holds up relatively well in the face of a missed target date in the Retail channel, declining from a score of 92 when the closing is more than 15 days early to a score of 84 when the closing is more than 30 days late. While a score of 84 is not great, it's not catastrophic, either.

The Borrower Experience

Compare these Retail results with the results for Consumer Direct (CD) loans:

- The CD LO scores 95 when the origination is more than 15 days early, an almost identical score to the Retail LO. But, the CD LO's score drops to 77 if the loan closes more than 30 days late.
- Overall Satisfaction takes a terrific hit when the loan is more than 30 days late — Overall Satisfaction for CD decreases from 93 to 45. Wow! Consider the social media impact with this level of dissatisfaction.

The adverse results for CD underscores the importance of the arguably more personal relationship that Retail LOs develop with their borrowers relative to call-center LOs. In short, for the Consumer Direct LO, closing the loan when expected by the borrower is much more important.

What's a Lender to Do?

- Keep the borrower informed. Regular communications with the borrower that include updates to changes in the closing time are essential.
- Retail LOs: attend the closing, especially if the loan closes significantly later than expected. MortgageSAT National Benchmark data indicates that the loan officer attending closing helps mitigate negative borrower perceptions caused by problems in the loan process, including closing date changes.
- CD LOs: connect with the borrower by phone pre-closing to go over closing details, and consider holding open time on your calendar to be available during the closing to answer questions from the borrower especially when the loan closes late.

[1] "The Seven Commandments For Achieving Borrower Satisfaction"