



FEATURING
**GETTING THE RIGHT TECHNOLOGY —
PEER PERSPECTIVES OF THE TECHNOLOGY
EXPERIENCE**

STRATMOR *INSIGHTS*

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WELCOME

Can you believe that summer is almost over? One sign is that this is the August issue of *STRATMOR Insights*. And this month's issue contains thought provoking technology and compensation insights.

Our *In-Focus* article, **Getting The Right Technology** – Peer Perspectives of the Technology Experience, documents an interview with Sr. Partner Nicole Yung regarding the importance of lender participation in our latest 2017 Technology Insight Survey (TIS). In the interview, Nicole explains why the TIS report is an essential industry resource, noting: “Those lenders expecting transparency of information to drive technology purchase decisions have a responsibility to themselves and to the industry to participate in TIS, just like good citizenship demands that every eligible voter exercises their right to vote.” Digital Mortgage adoption, channel specific technologies and Net Promoter Scores are just a few new adds to this year’s survey.

In the *Mortgage Metrics Matters* section, we present data derived from our most recent Compensation Connection Survey. Specifically, we look at how much paid-time-off (PTO) and what 401K matches lenders offer, broken down between Banks and Independents. You may be surprised by how large the differences are.

Finally, the Topic of the Month of our *Speaking Borrower Satisfaction* section, considers how a borrower’s monthly income, buyer status (e.g., first-time homebuyer), and residency status affect their satisfaction. This is second of a three-part installment looking at which borrower attributes affect satisfaction. Again, as we noted in the first-installment, the industry comes out looking as though it treats all borrowers the same.

As you read the articles this month, keep in mind that the data shared is a result of many executives taking the time to respond to our surveys. We hope the next time you have an opportunity to share your experiences by taking a STRATMOR survey — like TIS — you’ll participate.

Lisa Springer, CEO

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STRATMOR INSIGHTS



GETTING THE RIGHT TECHNOLOGY — PEER PERSPECTIVES OF THE TECHNOLOGY EXPERIENCE

By Insights with Nicole Yung

Two years ago, in 2015, STRATMOR released its first LOS Technology Insight Survey (TIS) with one primary goal: To deliver mortgage lenders with much needed, non-vendor-provided data on the many loan origination systems available in the mortgage marketplace.

Hundreds of lenders answered our call and took the survey. Their LOS experiences — the good, the bad and the ugly — as summarized in our TIS report, quickly became the go-to reference by which a lender could get unvarnished peer views on the major commercial-off-the-shelf (COTS) LOS systems about market share, overall satisfaction, functional performance, implementation experience, etc.

STRATMOR is thrilled by the industry's reception of our LOS TIS, not only because so many lenders find it extremely useful in managing and procuring LOS technology, but also because it provides valuable feedback to mortgage technology providers. Many vendors are now keenly focused on ways to improve their system capabilities and streamline the implementation process. By opening the traditional sales curtain, lenders are better informed to make critical technology decisions. In truth, this survey did not make STRATMOR the most popular consulting firm among LOS vendors. But over time, most

vendors have become TIS supporters. We stand committed, as do the technology providers, to creating healthy transparency and to providing opportunities to improve quality, functional capabilities of this critical technology and the overall user experience.

Building upon the success of the original 2015 LOS TIS, the 2016 survey extended the scope to include sections addressing third-party systems, e.g., pricing engines, doc prep systems, etc., that can be “bolted-onto” or integrated with a lender's LOS. In addition, the 2016 LOS TIS garnered lender perspectives on the scope and direction of future technology. 2017's version adds even more depth to this comprehensive analysis. STRATMOR includes new questions on Digital Mortgage adoption, channel specific technology solutions, degrees of customization and Net Promotor Scores to name a few new “top of mind” categories.

In-Focus

GETTING THE RIGHT TECHNOLOGY —
PEER PERSPECTIVES OF THE TECHNOLOGY EXPERIENCE

At STRATMOR, Senior Partner Nicole Yung manages all aspects of the TIS survey development and implementation, from preparing the survey questions (in conjunction with our technology, sales and operations consultants) to overseeing the hundreds of hours of data analysis that goes into the final survey report.

Nicole Yung Talks About the LOS TIS

Because we regard the new survey as important to the industry, STRATMOR Insights asked Nicole to talk to us about this important survey and why every lender should participate.

Insights: How is this year's survey different from the previous two?

Yung: One significant difference is that the new survey includes a whole section of questions addressing lender adoption of Digital Mortgage (DM) technology. While there have been many significant advances in mortgage technology over the years, most of these advances were focused on improving lender processes and productivity, not on fundamentally changing the borrower's experience. But, as publicity surrounding Quicken's Rocket Mortgage and the Agencies' stated commitment to day-1 certainty attest to, DM may be a game changer that no lender can afford to ignore.

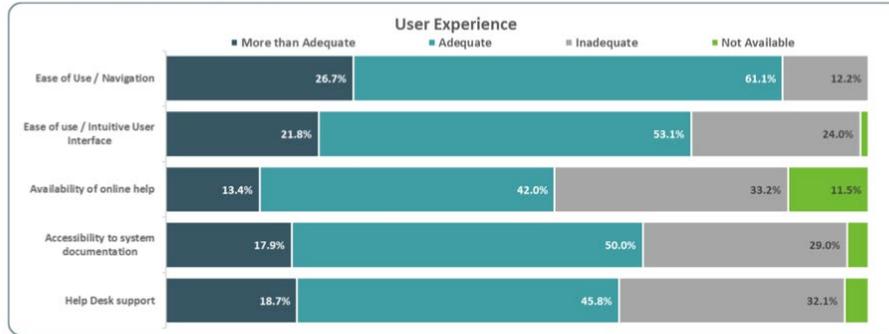
Another new section this year looks at which systems lenders use for which channel. Responses here will

allow us to report LOS market share and usage information by channel. We're also asking lenders about the level of customization of their LOS to determine if lenders with more customized systems are more satisfied with their LOS. And we've also added a classic Net Promoter Score (NPS) question — "How likely are you to recommend your LOS to another lender." Finally, for lenders that are in-flight with an LOS implementation, there are questions that capture information about the system they are moving onto. One of the most important sections focuses on how effective is LOS at providing specific functionality. It is a very comprehensive list and gives a transparent view into the individual LOS.

Our overarching goal here is to make TIS a must-have resource for a lender no matter what stage the lender may be in with their LOS or other origination technology — whether they are procuring new technology, upgrading existing technology or assessing how effectively they are using their existing technology.

Secondarily, we want TIS to function as a vendor report card that provides LOS and third-party system vendors with unbiased feedback as to how their offerings — systems and support — are perceived by their customers. While virtually all mortgage technology vendors conduct customer satisfaction surveys, such "in-house" surveys do not benchmark one system versus another and therefore do not provide a vendor with a competitive perspective.

USER EXPERIENCE



- The results by system are included in the By System section.
- 88% of respondents say that their system is easy to use or navigate
- 75% rate their User Interface as Adequate or More than Adequate
- Systems are less successful at providing online help, documentation and help desk support

Pictured above: a sample page from the 2016 TIS report.

Insights: Nicole, why is the LOS Technology Insight Survey so important to the lender community?

Yung: Our industry is amid technological change that is fostering a new competitive paradigm — the Digital Mortgage — which is driving how a consumer gets a mortgage and how a lender gets to the consumer. Our latest survey will gain additional insights into this paradigm.

Currently, many lenders think of Digital Mortgage primarily in terms of how they interact with the consumer — receiving or uploading borrower information and communicating with the borrower — from the point at which the borrower is a lead, through the application, processing, underwriting and finally closing processes.

While these aspects of Digital Mortgage are crucially important, our functional view of Digital Mortgage extends to how lenders use data to generate leads upstream of the application process. Further, getting repeat business from those borrowers whose loans the lender services is an important measure of the effectiveness of a lender’s digital strategy.

In this context, at STRATMOR we view the TIS survey and report not so much as a product but as an essential industry utility. STRATMOR believes that those lenders expecting transparency of information to drive technology purchase decisions have a responsibility to themselves and to the industry to

participate in TIS, just like good citizenship demands that every eligible voter exercises their right to vote.

Vendors, too, have an important stake in a successful TIS; and because they know this, they are paying attention. Vendors want to improve their systems and meet their lender customers’ needs.

Insights: What are the specific tangible benefits for lenders who take the survey?

Yung: This is a real opportunity for lenders to let LOS vendors know what you think about their product. By sharing these experiences, each participant is contributing to the larger conversation within the industry on how the LOSs performs and are they meeting the functionality needs of the lenders.

Also, this is vendor-to-vendor, system-to-system comparative research that an individual lender could not put together on their own. To make it meaningful, we report in great depth, which takes a lot of time and effort — time that most lenders don’t have to gather this type of comprehensive and actionable information.

Another very tangible benefit of taking the survey is that every lender who participates receives a high-level overview of market share findings, future technology perspectives and a Digital summary at no cost. Also, lenders who have taken the survey and want detailed information can purchase the full report at a discounted price.

2017 STRATMOR LOS Technology Insight Survey

OVERALL SATISFACTION WITH SYSTEM

For the following questions, please base your responses on your primary System of Record:

How would you rate your overall satisfaction with your current System of Record and Vendor: ? (Required)

	Very Satisfied / no plans to replace	Somewhat Satisfied / likely to continue using	Not Satisfied / plan to or actively seeking a replacement	Not Satisfied / replacement LOS implementation is underway	N/A	Comments
Overall satisfaction with LOS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
Overall satisfaction with Vendor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>

How long has it been since you completed your current LOS implementation?

In process

Less than 12 months

12-24 months

24-36 months

Over 36 months

Sample questions from the 2017 TIS survey.

Insights: How much time will it take me to complete the survey?

Yung: Most lenders tell us that, on average, it takes them 30 minutes to go through the survey in a thoughtful way. It takes some time to complete, but it is time well spent and the mortgage industry benefits from each participant's feedback. In short, it's well worth the effort.

Insights: What would you say to the lender who took the survey two years ago, or even last year, and is thinking of skipping this year?

Yung: Don't pass up this opportunity to give your lender peers and vendors feedback on your most recent LOS experiences. Remember, satisfaction is not a static measure. The experiences of a year ago, in our constantly evolving mortgage environment, are likely not the same as what you are experiencing today.

Keep in mind that systems have likely had new releases, introduced new features, added changes

reflecting new regulations and new rules — we need to know what lenders think about their systems now. And with more repeat survey takers, we can make better overall comparisons and, more importantly, track the improvements in various systems and vendors.

Insights: If you could tell all lenders one thing about why they should take the Technology Insight Survey, what would it be?

Yung: Very simply, you owe it to yourself and the industry to participate in this survey.

Insights: How do I sign up for the survey?

Yung: For more information about STRATMOR's 2017 Technology Insight Survey (TIS), contact the TIS program at TechnologyInsight@stratmorgroup.com or contact me, Nicole.yung@stratmorgroup.com, to answer questions on or help you with the survey.

PARTICIPATE IN THE SURVEY NOW

If you are interested in participating in STRATMOR's Technology Insight Survey (TIS), [click here](#) or contact Sr. Partner Nicole Yung at nicole.yung@stratmorgroup.com. ■

Mortgage Metrics Matter



COMPENSATION PLAN STRUCTURE

Determining compensation amounts and structure is fundamental to ensuring that your organization hires and retains the best talent while simultaneously controlling costs and justifying compensation to your stakeholders.

As a recent example, a STRATMOR client, using findings from Compensation Connection, redesigned their compensation plan structure to include strategic incentives to their employees. This new plan introduced incentives and measures to monitor and improve file quality that not only resulted in better loans but also increased overall operational efficiencies. These adjustments motivated their staff to improve efficiencies across the origination process, thereby reducing the company's overall cost to originate.

Since 2010, STRATMOR Compensation Connection has provided lenders with valuable insights into what mortgage lenders are paying for critical positions and how compensation is structured. This survey explores not only on what loan officers, processors, underwriters and key executives are being paid, but also analyzes their compensation structure and benefit packages.

The survey is offered in modules to allow lenders to choose a level of participation:

- Executive Management
- Retail Sales (Head of Production to Loan Officers)
- Consumer Direct Sales
- Fulfillment (All Channels)
- Production Support

The Fall 2017 survey is NOW Open

If you are interested in learning more about the survey or would like to participate, [click here](#). Lenders who participate in the Compensation Connection Survey receive a customized summary report showing your data compared to industry averages.

Mortgage Metrics Matter

COMPENSATION CONNECTION SURVEY

The following are select results from the Compensation Connection Survey.

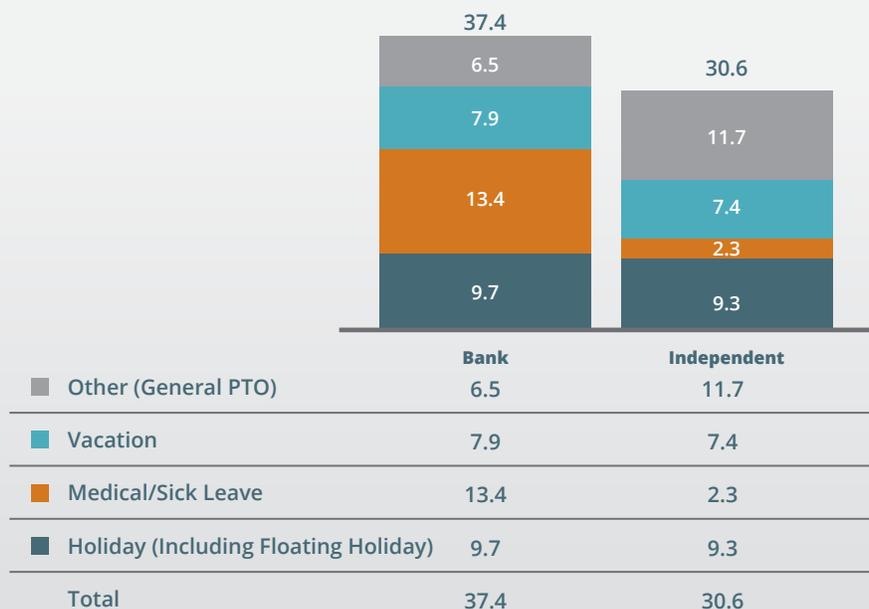
Q

How many days of Paid Time Off (PTO) do lenders offer annually?

A

In this year's study, STRATMOR asked participants to provide the number of PTO days offered and how the time is allocated across holidays, vacation, medical/sick leave, and general PTO. Bank Owned/Affiliated Mortgage companies reported more PTO with an average of 37.4 days compared to Independent mortgage companies at 30.6 days.

Average Annual PTO Days



STRATMOR Compensation Connection Survey, 2017. ©STRATMOR Group, 2017.

- Both company types reported roughly nine holidays and seven vacation days. However, Bank Owned/Affiliated mortgage companies are more likely to offer medical/sick leave separate from vacation or general PTO.
- Independents offer more general PTO instead of explicit medical/sick leave. Independent mortgage companies can be more flexible with PTO than the Bank Owned/Affiliated companies who are often subject to the policies set by the parent bank.

The survey also asked the extent to which employees could carry over unused PTO. The results show that Banks averaged approximately seven days while the Independents allow employees to carry over more than two weeks of PTO to the next year. While Banks do offer more explicit medical/sick PTO than Independents, it appears that they do not allow employees to carry over that time. Bank employees must use it or lose it.

Mortgage Metrics Matter

COMPENSATION CONNECTION SURVEY

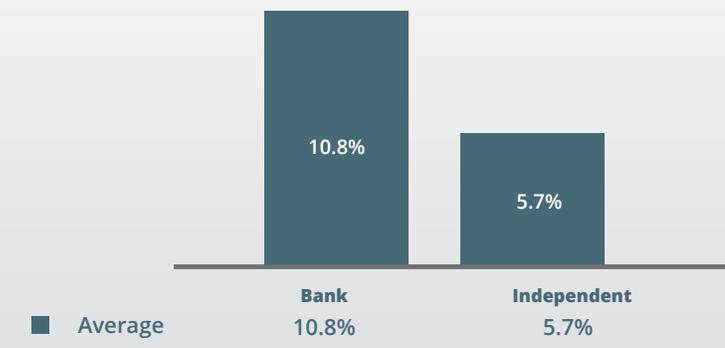
Q

What percentage does your company match employee contributions to a 401K?

A

We that found Bank Owned/Affiliated mortgage companies contribute to employee 401K plans at a higher rate than Independents. In 2016, Bank Owned/Affiliated mortgage companies matched employee contributions to 401K at almost twice the rate.

Average Company 401k Match



STRATMOR Compensation Connection Survey, 2017. ©STRATMOR Group, 2017.

- In prior "Mortgage Metrics Matter" articles, STRATMOR has shown that, for some positions, Banks will pay less cash compensation than Independents.
- Banks can pay less, in part, because they offer more benefits, such as higher 401k matching.
- As seen in the chart to the left, on average, Independent Mortgage companies match up to 5.7 percent of the employee's contribution to a 401K plan compared to a 10.8 percent average matched by Bank Owned/Affiliated Mortgage companies.

Ninety-five percent of all lenders provide a 401K plan and 82 percent of those lenders provide some level of company matching to employee contributions. The majority of both Bank Owned/Affiliated Mortgage and Independent mortgage companies indicated that employees are eligible to participate in the 401K and matching at hire or within 30 days of hire.

While PTO and 401k match may not be the most important consideration for employees, benefits do factor into the decision during the recruiting process. Bank Owned/Affiliated mortgage companies should highlight their benefit packages during the recruiting process. Independents should emphasize their more flexible PTO policies.

PARTICIPATE IN THE SURVEY NOW

The Compensation Connection Survey is now open for participation. If you are interested in participating, [click here](#). ■

Speaking Borrower Satisfaction



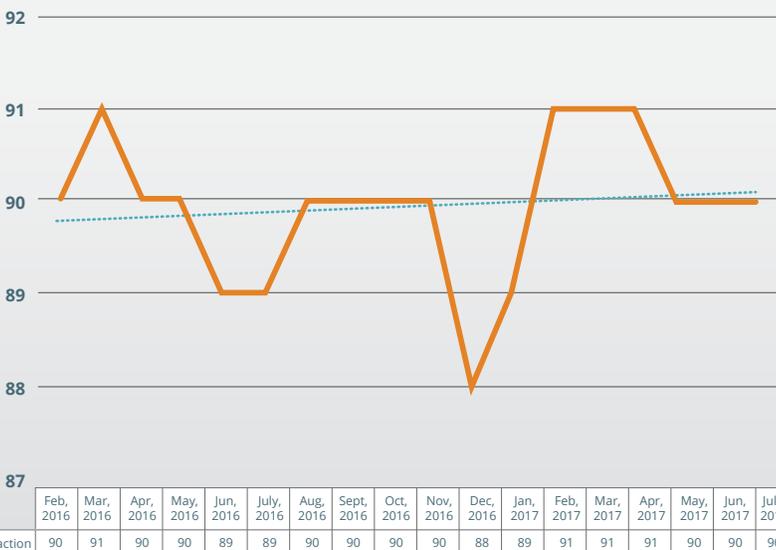
OVERVIEW

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 below displays the Total Borrower Satisfaction Score for MortgageSAT participating lenders over an 18-month look-back period looking back from the July 2017 satisfaction score.

18-Month Satisfaction History



The chart shows that the satisfaction score during the peak home purchase/finance months in 2016 (March through July) dropped from a high of 91 in March to 89 in June and July. As we have noted in previous *Insights* issues, we believe that this fall-off reflects the increased volume that must be handled by back office personnel during the peak origination months, resulting in more processing errors and delays.

Satisfaction During 2017 Peak Season Steadily, Slowly Improved

During 2017, satisfaction for MortgageSAT lenders during the peak volume season has modestly improved, with satisfaction scores ranging from 90 to 91. And, as

Speaking Borrower Satisfaction

WHAT BORROWER ATTRIBUTES AFFECT SATISFACTION?
—PART II



indicated by the dashed “trend-line,” MortgageSAT lenders are steadily — albeit slowly — improving their average satisfaction scores.

The flattening of the trend line hints at the possibility that satisfaction scores in the low 90s may represent an operational barrier that will only be breached if lenders deliver a top borrower origination experience every time. This may prove extraordinarily difficult since MortgageSAT data shows that any one of a handful of simple errors during the process can materially lower borrower satisfaction (see “The Seven Commandments for Achieving Borrower Satisfaction” in the June issue of *STRATMOR Insights*).

TOPIC OF THE MONTH — WHAT BORROWER ATTRIBUTES AFFECT SATISFACTION — PART II Satisfaction Versus Monthly Income, Homebuyer Status And Residency Status

In last month’s issue of *STRATMOR Insights*, in the first of a three-part series addressing the extent to which borrower attributes affect satisfaction, we considered borrower’s gender, age and credit score. This month, we look at satisfaction versus monthly income, homebuyer status and residency status.

Speaking Borrower Satisfaction

WHAT BORROWER ATTRIBUTES AFFECT SATISFACTION? —PART II



Q

Does satisfaction vary with monthly income?

A

Not by much. In general, borrower satisfaction is relatively independent of borrower income except for a slight falling off at higher income levels. Lower satisfaction scores recorded by higher income borrowers compared to expectations suggests that higher income borrowers have higher expectations.

Satisfaction vs. Monthly Income (\$)



MortgageSAT, July 2017 ©STRATMOR Group, 2017.

Speaking Borrower Satisfaction

WHAT BORROWER ATTRIBUTES AFFECT SATISFACTION? —PART II



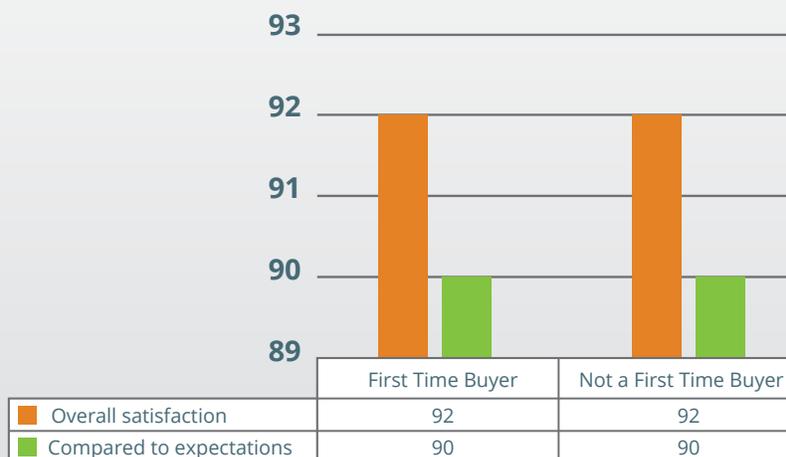
Q

Does satisfaction vary with homebuyer status?

A

No. There is absolutely no difference either as to overall satisfaction or satisfaction compared to expectations. This latter result is especially surprising insofar as we might expect first-time homebuyers to have different going-in expectations compared with repeat buyers who have previously gone through the home financing process.

Satisfaction vs. Buyer Status



MortgageSAT, July 2017 ©STRATMOR Group, 2017.

Speaking Borrower Satisfaction

WHAT BORROWER ATTRIBUTES AFFECT SATISFACTION? —PART II

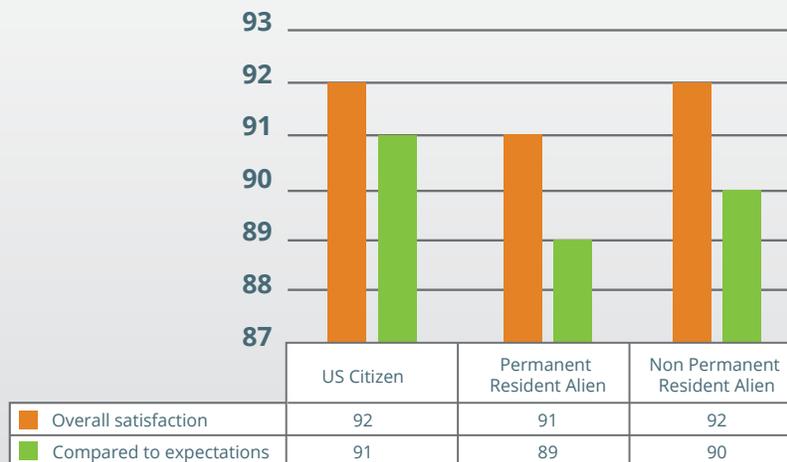
Q

Does satisfaction vary with residency status?

A

Very little, if at all. Both U.S. citizens and non-permanent resident aliens scored their overall satisfaction at a relatively high 92, with permanent resident aliens scoring just one point lower at 91. Expectations of permanent resident aliens were slightly higher than the expectations of the other two groups.

Satisfaction vs. Residency Status



MortgageSAT, July 2017 ©STRATMOR Group, 2017.

Similar to last month's results about gender, age and credit score, the above results suggest that mortgage lenders treat all borrowers much the same, resulting in borrower satisfaction scores that do not vary materially based on borrower attributes.

But we must again point out that MortgageSAT results consider only borrowers whose loans have closed. Borrowers who withdrew their application because they either felt mistreated, were unhappy with service they received, or simply selected a different lender are not reflected in the results.

If you are interested in learning more about STRATMOR's *MortgageSAT Borrower Satisfaction Program*, [click here](#). Or reach out directly to Mike Seminari, Director of MortgageSAT, at 614.284.4030 or mike.seminari@stratmorgroup.com ■



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SURVEYS

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TELL US YOUR THOUGHTS

We invite you to take a quick 2 question survey so that we can continue to provide you with valuable information in our *STRATMOR Insights* report.

[CLICK HERE](#)