STRATMOR GROUP

FEATURING

REGULATORY OUTLOOK 2018: DON'T TREAD ON TRID

STRATMOR *INSIGHTS*

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WELCOME

It's been almost 10 years since the financial crisis of 2008 ushered in a host of new and, for the most part, needed regulatory changes to our industry. We're used to regulations. They're part of our business and are designed to protect the borrower and guide us through a complex transaction process. But ten years of increased regulation has left many lenders a bit worry-weary. As a result, the change in leadership at the CFPB was hopeful news.

We lead off this month with an **In-Focus** piece by STRATMOR Senior Advisor Rob Chrisman that takes a hard look at how the changes in CFPB leadership may affect the regulatory landscape and how lenders are likely to respond. Specifically, for this month, Rob considers of The Truth in Lending Act/ Real Estate Settlement Procedures Act Integrated Disclosure Rule (TRID). Rob's conclusions combine data from STRATMOR's MortgageSAT borrower satisfaction and Spotlight survey programs with a pragmatic assessment of both the uncertain political environment and the large investments lenders have made in technology, training and new operational processes aimed at complying with current TRID regulations.

In **Mortgage Metrics Matter**, using data from our Compensation Connection survey program, Senior Partner Nicole Yung analyzes mortgage senior executive incentive compensation, considering both the portion of total compensation made up of incentive compensation and the components and drivers of such compensation. Readers will find Nicole's analysis extremely interesting and insightful.

Finally, in **Speaking Borrower Satisfaction: Topic of Month — Problems, Problems, Problems!**, Senior Partner Dr. Matt Lind uses MortgageSAT data to analyze the scale, scope and impact on borrower satisfaction of "problems" arising during the loan origination process and the impact of resolving such problems. You will likely be surprised both by the frequency of problems and the big hit to satisfaction lenders will take if problems are not resolved. I would put this piece on your "Must Read" list.

Thanks for joining us in this first issue of 2018,

Lisa Springer, CEO

STRATMOR
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REGULATORY OUTLOOK 2018: DON'T TREAD ON TRID

By Rob Chrisman

It may be time to rewrite Ben Franklin's famous quote, "...nothing can be certain but death and taxes," to be "Nothing can be certain but death, taxes and regulation." At least for mortgage lending.

Residential lenders, whether depository banks, non-banks, mortgage banks, or brokers, have borne the brunt of a tidal wave of regulations in the last eight plus years. Most industry veterans will argue that much of this was needed. One veteran mortgage banker I spoke to said, "In the race for volume, market share, and yield, lenders and investors took chances that they shouldn't have. On top of that, before 2008, the government was pushing the Agencies to offer programs and guidelines that, with hindsight, they shouldn't have. And now we're paying the price."

The *Consumer* Financial Protection Bureau — the CFPB — was set up to benefit the borrower by "Making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives."[1] Definitely, some of the new rules have had a positive impact on the borrower — and the lender. Data from STRATMOR's MortgageSAT program which captures borrower satisfaction feedback shows some of these results (see page 5 in this article). Even so, increasingly, there is a feeling that government policies, procedures, and methodologies have gone too far and, as a result, are restricting lending and credit to otherwise deserving borrowers.

What can residential lenders glean from recent leadership changes and other regulatory trends, and might these changes help improve their margins or volumes and better serve the borrower at the same time? In this article, I'll tackle one of the major regulatory areas impacting the mortgage industry today — TRID — and its specific impact on lender operations and practices as well as how the industry is likely to respond to additional related rule changes.

The Regulatory Landscape

Currently, there appears to be a trend away from "regulation through enforcement." This alone, if it comes to fruition, would be a huge benefit to lenders who continue to act as if they are but one mistake away from a CFPB penalty and having their net worth slashed. As an industry, we seem to be in a "quiet time" versus the past when well-publicized enforcement actions were the norm. As one lender observed, "We don't know if there are more shoes waiting to drop, or if the CFPB is truly re-examining its role in lending." Certainly, the resignation of the Consumer Finance Protection Bureau's Director — Richard Cordray — and the appointment of an interim director — Mick Mulvaney — has helped promote the feeling that the CFPB's tactics will change.

With new leadership at the CFPB, defense lawyers litigating against the agency, along with other industry analysts, see the glimmer of a possible reprieve for clients "in the crosshairs." First, they just must get the attention of the CFPB's Acting Director (and head of OMB) Mulvaney, or his close staff. There is the feeling that perhaps the CFPB is open to listening, and having a dialogue, rather than immediately taking punitive actions.

This leadership change, however, is nonetheless occurring against a backdrop of expanding regulation. The CFPB has announced a review of the Home Mortgage Disclosure Act (HMDA) guidelines. The new guidelines, which took effect this month, have been well publicized for two years prior to implementation. Agency initiatives also appear to be broadening the residential lending regulatory landscape. The Federal Housing Finance Administration (FHFA), for example, has recently announced a "Request for Information" concerning moving away from FICO and an openness to accepting other credit scoring models.

It's possible that mortgage lenders and servicers will see the CFPB, during the tenure of Acting Director Mulvaney, use the five-year "look back" the bureau is required to perform to make significant changes to a pair of major rulemakings: The Truth in Lending Act/Real Estate Settlement Procedures Act Integrated Disclosure Rule (TRID), and the ability-to-repay rule. In Dodd-Frank, there's a five-year required regulatory review, and there are two of those regulatory reviews that are still under advisement: one for TRID and the other for the ATR/qualified mortgage rule.

Lenders should be aware, however, that despite the possible changes taking place at the Federal level, the states have proved willing and able to act on their own and fill any voids. Several, such as New York, California, and Illinois, have been increasing their presence in terms of stepped up rules. New York, specifically, has risen to the forefront of dealing with cyber security regulations. Lenders should also not forget that the current political environment is highly volatile, and that today's de-regulation could quickly become tomorrow's re-regulation if there are changes both in Congress and/or the White House.

Given these uncertainties and the large investments lenders have in technology, training and new operational processes aimed at complying with current regulations, many lenders may choose to stick with most of their current practices until the dust settles.

OUTLOOK FOR TILA RESPA INTEGRATED DISCLOSURE RULE (TRID)

Many in the industry have the following three expectations relating to the CFPB's mortgage policy work. First, the nomination of a new CFPB Director in January, and the confirmation of that director in the second quarter. Second, as mentioned previously, the softening of the Bureau's enforcement and supervisory stances. Third, rulemaking activity focused on making technical corrections to TRID, slight tweaks to HMDA requirements, and a broader review of the Qualified Mortgage rule.

Current TRID Rules

TRID regulations, which became effective in October 2015, are the CFPB's major initiative aimed at restructuring the disclosures provided to consumers seeking to obtain a mortgage. Principal components of TRID consisted of a new upfront Loan Estimate Disclosure and a new Closing Disclosure aimed at providing consumers with a much clearer picture of loan terms and conditions, ongoing costs and closing costs.

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Impact on Lender Operations and Practices

In the capital markets, the jury is still out regarding TRID. For example, Sequoia Mortgage Trust 2018-2 is a securitization of 717 first lien, prime jumbo mortgage loans, including 165 agency-eligible high balance mortgage loans. The loans were sourced from multiple originators and acquired by Redwood Residential Acquisition Corporation (aka Redwood Trust). Moody's reports that, "Redwood elected to conduct a limited review, which did not include checks for TRID compliance. We reviewed the initial compliance findings of loans from the same originator where a full review was conducted, and the results did not indicate any significant credit, valuation or compliance concerns."

Moving upstream to the primary markets, on December 6, 2017, the CFPB published an updated version of the TILA-RESPA Integrated Disclosure Guide to the Loan Estimate and Closing Disclosure forms. The updated guide incorporates amendments and clarifications set forth in the final rule issued on July 7, 2017. In addition to the LOS and process modifications necessary to generate each of these new disclosures, TRID implementation by most lenders involved:

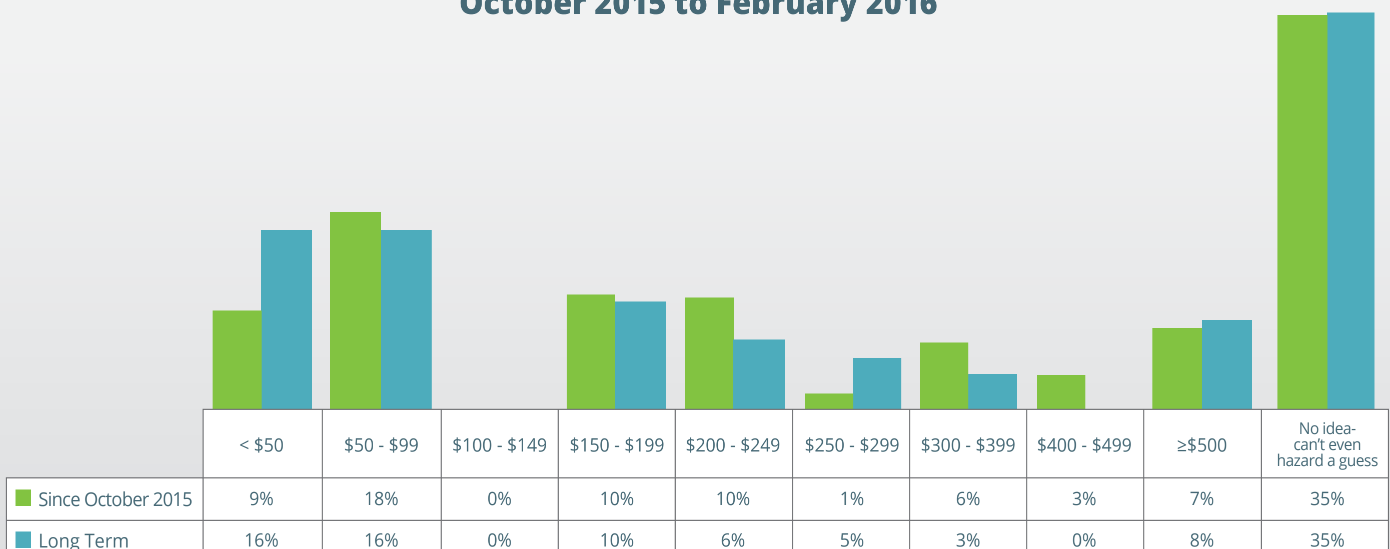
- Establishing processes and scripts for setting borrower expectations
- Training sales and operations staffs
- Setting expectations with Realtors
- Developing a process to verify fees
- Modifying the interface between the LOS and doc prep providers
- Setting expectations with settlement agents
- Developing post-closing processes for verifying TRID compliance

Results of a February 2016 STRATMOR Spotlight Survey: **TRID — Impact and Experience** indicated that many of these implementation steps did not go well, especially in setting expectations with settlement agents. Sixty percent of lenders reported having a difficult experience with settlement agents.

In this same survey, lenders were asked to estimate the TRID-related increase in their cost per loan both since the October 2015 TRID effective date and long-term. The distribution of lender responses is illustrated in Chart 1.

Chart 1

TRID-Related Increase in Lender Cost Per Loan
October 2015 to February 2016



	< $50	$50 - $99	$100 - $149	$150 - $199	$200 - $249	$250 - $299	$300 - $399	$400 - $499	≥$500	No idea-can't even hazard a guess
Since October 2015	9%	18%	0%	10%	10%	1%	6%	3%	7%	35%
Long Term	16%	16%	0%	10%	6%	5%	3%	0%	8%	35%

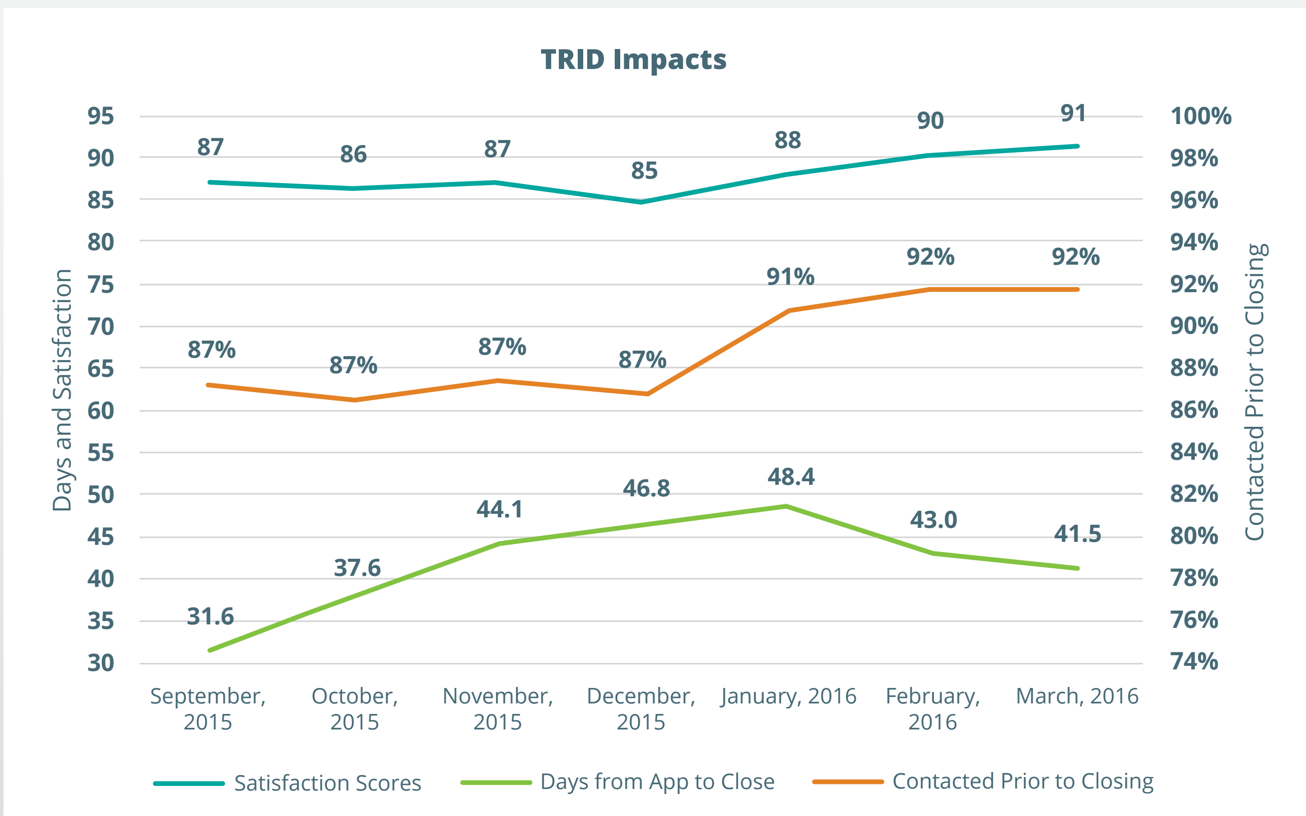
STRATMOR Spotlight Survey: TRID — Impact and Experience, February 2016 ©STRATMOR Group, 2018.

Responding lenders estimated that, since October 2015, TRID had increased their average back-office fulfillment and post-closing costs by $209 per loan, but expected that long-term costs would decline to $181 per loan as lenders gained experience. Further, lenders estimated that on average they would recover 17 percent of these additional TRID-related costs through additional origination charges, bringing the net increase in origination costs down to about $150 per loan. These results are closely in-line with the results of an April 2015 Spotlight Survey: **RESPA-TILA Readiness**, in which lenders estimated that the average additional cost for TRID compliance would be $160 per loan.

TRID also impacted approval-to-close cycle times. According to a February 2016 survey conducted by the American Bankers Association (ABA) and reported in the April 1, 2016 issue of the *Dodd-Frank Update,* more than 75 percent of the ABA's survey respondents reported that loan closings were delayed by one to twenty days. Ellie Mae's *Origination Insight Report* reported that it took an average of 46 days to close a mortgage loan in February compared to STRATMOR's estimate of 31.6 days in pre-TRID September 2015, based on data obtained from STRATMOR's MortgageSAT borrower satisfaction survey program.

Chart 2, also based on STRATMOR's MortgageSAT program, clearly shows that, after rising to a peak of 48.4 days in January 2016, the application-to-close cycle time declined to 41.5 days in March 2016 and appeared to be heading back towards pre-TRID levels.

Chart 2



MortgageSAT, December 2017 ©STRATMOR Group, 2018.

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But what is especially fascinating about Chart 2 is that, despite higher closing costs to the borrower and longer cycle times, borrower satisfaction as measured by MortgageSAT increased from a so-so score of 85 in December 2015 to an excellent score of 91 in March 2016 (see the blue line). The reason for this improvement is easy to see: Starting in January 2016, there has been a steady and substantial increase — from 87 to 92 percent — in the proportion of borrowers being contacted by their lender prior to closing (see the orange line).

Increasing such contact was a key goal of TRID and has been shown by MortgageSAT to be a key factor affecting overall borrower satisfaction. MortgageSAT survey results for over 50 thousand borrowers during the first half of 2017 (see Chart 3) make clear that the average satisfaction score of 93 (out of 100) for borrowers who were given reasonable advance notice of their loan closing drops to an abysmal score of 60 if they were not given adequate notice.

Chart 3

MortgageSAT Borrower Satisfaction Scores
December 2017

MortgageSAT, December 2017 ©STRATMOR Group, 2018.

High satisfaction scores are correlated with a high likelihood for borrowers to do repeat business with a lender, to refer the lender to friends and relatives to make favorable comments on social media. Conversely, borrowers who have had an unsatisfactory experience are highly unlikely to do another loan with the lender, make referrals or say positive things about the lender on social media.

Likely Regulatory Changes about TRID and Industry Response

While loan pricing and fees remain important, it appears that maximizing the borrower experience across both the front-end sales and back-end fulfillment processes has become the key competitive success factor in residential mortgage lending.

And, because TRID — in both its front-end and back-end disclosure requirements — has had a decidedly positive impact on borrower satisfaction, we think it is a relatively unlikely candidate for material regulatory change. But even if TRID rules were significantly lessened, we believe that relatively few lenders — and certainly not large bank and independent lenders — will back off their current TRID-compliant disclosure practices and policies.

One CEO mentioned to me that, "We probably spent north of $500,000 on vendors, TRID consultants, time in meetings, and implementation. Others I know of spent more. If we are asked to undo that, voluntarily or not, well, I don't want to spend another $500k. It would make little sense. Look, there are some things that can be tweaked, but now it takes 10 days to close a loan. That's the minimum. Could changing some TRID-related things help lower that? Perhaps. But at what cost?"

TRID has been beneficial to borrowers. It doesn't cost lenders an arm and a leg or significantly delay origination cycle times. Lenders are heavily invested in TRID systems, processes, and people. All of which leads to a slight revision of another saying, this one popularized by Bert Lance, Director of Office Management and the Budget (OMB) in the Carter Administration, to: "If it ain't broke, why fix it?"

[1]"Building the CFPB: Progress Report", July 18, 2011, page 2

WE WELCOME YOUR FEEDBACK

Interested in joining the discussion on TRID? Contact Rob Chrisman at: rob.chrisman@stratmorgroup.com .

COMPENSATION CONNECTION

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.

In our consulting practice, STRATMOR often works with companies to not only determine the correct split of compensation between base salary and incentives, but also to guide the company through the process of finding the right balance of incentive plan components that will provide fair compensation and deliver superior results to the company.

As a recent example, using findings from our Compensation Connection survey program, a STRATMOR client redesigned their executive team incentive plans to better align incentives with company performance and overall corporate goals, including growing the sales force and updating their LOS. In this article, we take a closer look at c-suite compensation.

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Select Results from Compensation Connection

Q **What portion of total compensation is made up of incentives for key executive team members?**

A **As STRATMOR looks across the executive suite, the amount of incentives paid as a percentage of total compensation varies depending on how close those executives are to the front-line.**

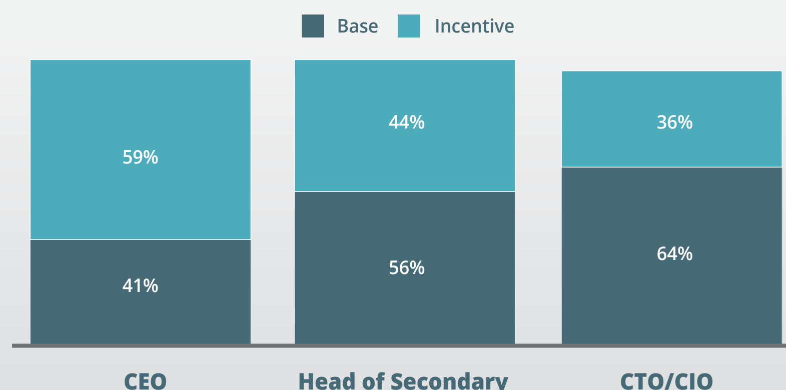
While our Compensation Connection survey covers eleven positions within the c-suite, this analysis focused on three vital roles within any mortgage company — CEO, Head of Secondary or Capital Markets and Chief Technology Officer (CTO) / Chief Information Officer (CIO). The information provided in our tables is for the calendar year 2016 and represents a national average for lenders of all sizes and both independent mortgage banks and bank-owned mortgage companies.

As shown in the chart below, the proportion of incentive or variable compensation reflects the level in which each position has direct responsibility for overall company performance.

The CEO directs all departments and is instrumental in building the sales team, maintaining operational efficiency, setting pricing guidelines and ensuring the company's technology delivers value. On average, in 2016, CEO compensation was 59 percent incentive or variable compensation. By structuring a plan that allows for the CEO to be rewarded as the company profits, the company has aligned the CEO's objectives with the company's objectives.

For the Head of Secondary or Capital Markets, the sphere of influence is narrower but has a greater impact on originations. By having responsibility for pricing, lock desk and secondary execution, the Head of Secondary touches a key component of company performance — revenue. But, because this position does not have control over the entire P&L, the amount of incentive is a step down (44 percent) from the CEO.

While technology is a key tool in loan origination, the CTO/CIO is relatively removed from direct revenue generation. Therefore, at 36 percent, the incentive pay for this position is less than the the incentive pay of the Head of Secondary.



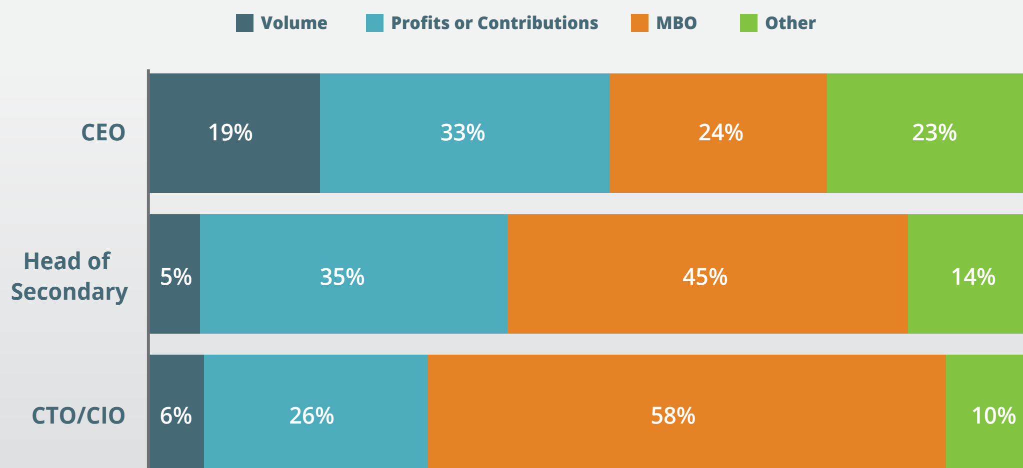
STRATMOR Compensation Connection Survey, 2017. ©STRATMOR Group, 2018.

These are only three examples from the c-suite, but the pattern holds for all positions that STRATMOR Compensation Connection covers — the more direct influence an executive has on revenues and expenses, the higher the percentage of incentive compensation that executive is paid.

Q **What are the most common components of executive compensation plans?**

A **The most common features of executive incentive plans are company volume, profits, or some measure of contribution and position-specific objectives or goals; however, the split of each of these will vary by position and reflect the nature of that specific position.**

The CEO incentive plans are more heavily weighted to volume and profits than either the Head of Secondary or CTO/CIO. This is not surprising given that it's the role of the CEO to build an organization to deliver loans profitably. It is interesting that on average, almost half (47 percent) of CEO incentive is based on achievement of goals or MBOs or "Other" components. (In the study, we find that the most common "Other" items are discretionary awards and payouts based on parent company performance.) Having more than just volume and profit included in CEO compensation allows for incentives to achieve other company goals like recruiting and retaining loan officers, completing an enterprise-wide project, installing a new LOS or achieving specific cross-sell goals within the company.



For the Head of Secondary and CTO/CIO, volume plays a limited role in incentives and profit makes up roughly one-third of the payout. The bulk of the plans for these positions is based on MBOs or role specific goals. These goals could include a certain level of execution gains for the Head of Secondary or the successful implementation of an LOS integration for the CTO/CIO and will typically vary from year-to-year and from company to company. For these positions, less than five percent of incentives are based on overall company performance and the majority of the "Other" awards are discretionary in nature.

Mortgage Metrics Matter

COMPENSATION CONNECTION

Executive compensation plans should consider the level of influence the position has on overall company performance and should be structured in a way as to align personal performance goals to the overall company objectives.

Making the Compensation Connection

Since 2010, STRATMOR Compensation Connection has provided valuable insights into what mortgage lenders are paying for critical positions and how compensation is structured. We gather data from across the industry through our Compensation Connection Survey, and then we report the details on what loan officers, processors, underwriters and key executives are being paid — and we analyze their compensation structure and benefit packages.

As an incentive to participate in the survey, STRATMOR provides participants with a customized summary report comparing the participant's company data to industry averages. We also offer the survey in modules to allow participants to select the area or areas for which they are providing information:

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

We are recruiting participants for our 2018 Compensation Connection Survey, which covers compensation for the full year of 2017. If you are interested in participating in the survey, or would like to learn more about the Compensation Connection Survey Report, visit our website or email Nicole.Yung@stratmorgroup.com.

Speaking Borrower Satisfaction

STRATMOR **INSIGHTS**

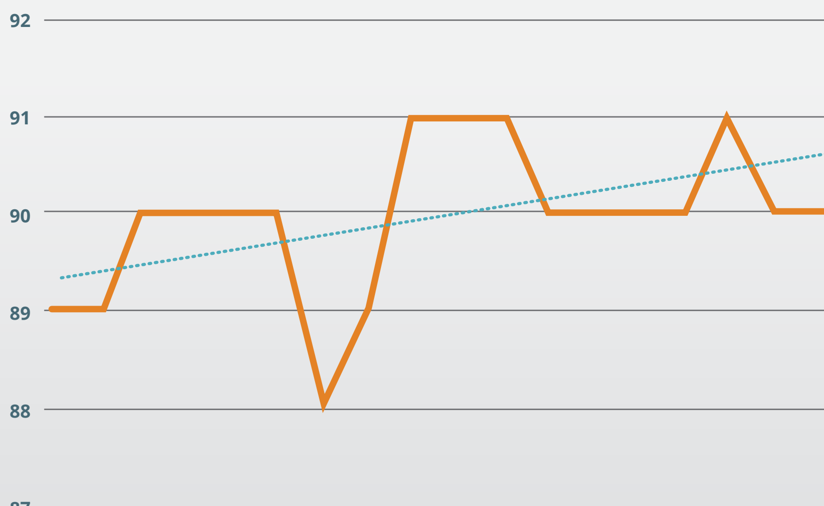
OVERVIEW

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



	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.

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

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for additional information (even justifiable requests) or experienced one or more of the seven deadly lender sins[1] 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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Speaking Borrower Satisfaction

PROBLEMS, PROBLEMS, PROBLEMS!

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.

[1]See "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

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