

The Borrower Experience



OVERVIEW

Monthly, STRATMOR gathers borrower data through our customer satisfaction measurement program, MortgageSAT. STRATMOR analyzes the results from more than 10,000 customers 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 by MortgageSAT and offer suggestions on using this information to improve the borrowers' experience. This month, we take a big-picture view of the borrower's experience by origination channel.

Not surprisingly, the borrower experience varies across the three primary origination channels — Retail, Consumer Direct (CD) and Wholesale (Broker).

The Borrower Experience

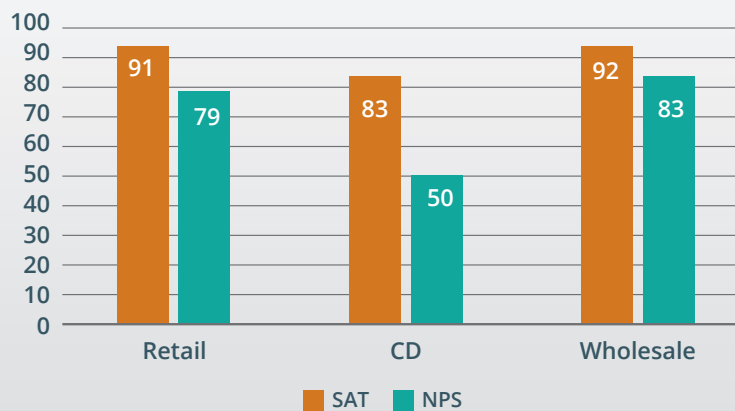
WHICH CHANNEL DOES BEST?



As Chart 1 illustrates, the Borrower Satisfaction Score (SAT) and Net Promoter Score (NPS) are highest for the Broker channel and lowest — by significant amounts — for the CD channel, with the Retail channel scores close on the heels of the Broker channel.

Chart 1

Borrower Satisfaction and NPS by Channel



MortgageSAT, March 2018 ©STRATMOR Group, 2018.

Why are both the SAT and, in particular, NPS scores so much worse for CD than either the Retail or Broker scores?

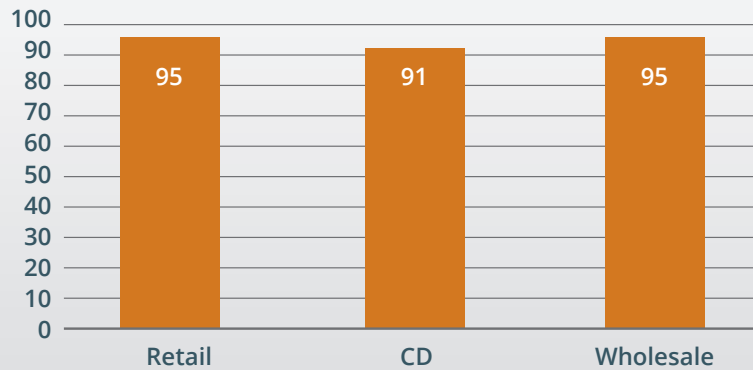
One possible reason is that CD loan officers deal with the borrower remotely and may come across as less engaging than Retail LOs and Brokers (many of whom also never meet the client face-to-face). However, the results in Chart 2 suggest this is a minor factor since borrower satisfaction with their LO does not vary significantly by channel and is generally high.

The Retail and Broker channel scores may be higher because both rely more heavily on referrals —

referrals from friends/family and Realtors are the top two reasons borrowers choose Retail and Brokers versus CD. Retail loan officers and Brokers appear to have a more vested interest in ensuring a smooth loan process because their next deal depends on it. When CD is selected, the borrower's existing relationship with the lender is the top reason the borrower chose CD. Furthermore, many CD lenders encourage more of an assembly line process where the loan officers are largely uninvolved in the process after they pass the loan to a processor.

Chart 2

Loan Officer SAT



MortgageSAT, March 2018 ©STRATMOR Group, 2018.

What the Numbers Show

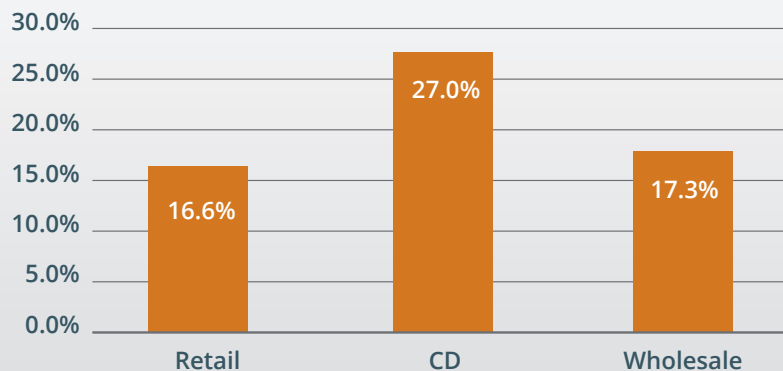
A deeper analysis suggests that the problem lies in the fulfillment process. CD originations simply generate more problems. The top three most-cited problems for all channels:

1. Application Process/Doc Requests
2. Communication
3. Underwriting

As Chart 3 indicates, the likelihood that a borrower has a problem in the CD channel (27 percent) is roughly 60 percent greater than in the Retail channel (16.6 percent) or the Wholesale/Broker channel (17.3 percent).

Chart 3

Had a Problem



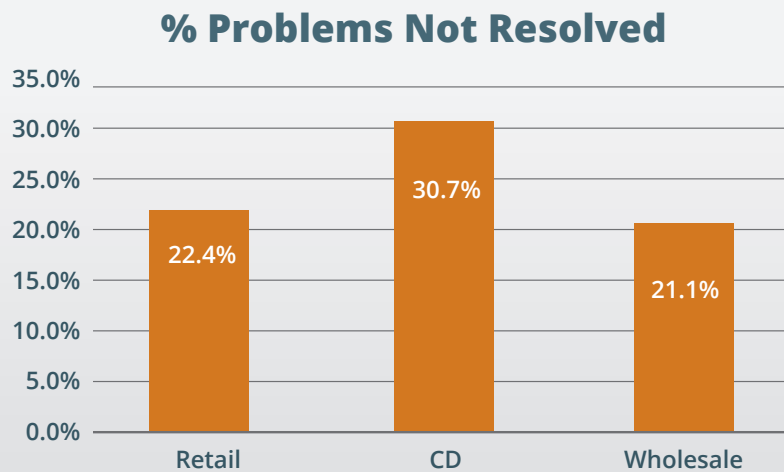
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To make matters worse, as Chart 4 makes clear, the percentage of CD problems that are not resolved (30.7 percent) is much higher than the unresolved percentages for either Retail (22.4 percent) or Wholesale/Broker (21.1 percent). Indeed, about 8.3 percent of CD originations involve a problem that is unresolved versus 3.5 percent for Retail originations and 3.6 percent for Wholesale/Broker originations. And, we know that SAT scores and, by extension, NPS scores, drop significantly when an origination problem goes unresolved.

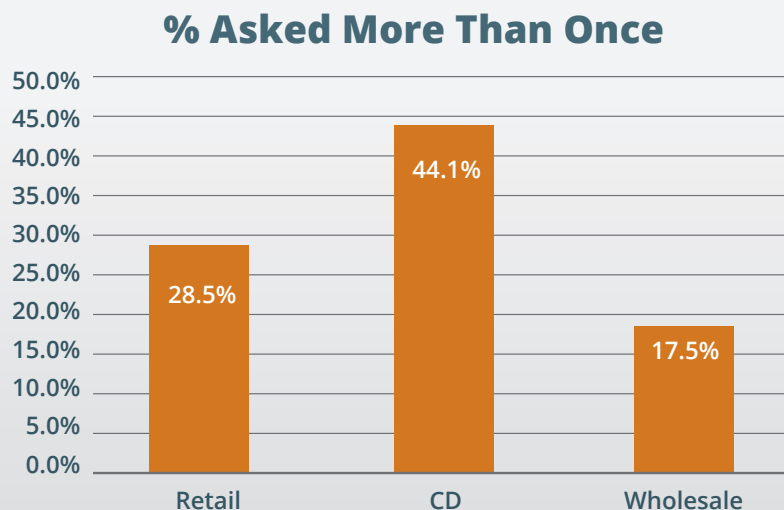
Chart 4



MortgageSAT, March 2018 ©STRATMOR Group, 2018.

For example, Chart 5 shows that the percentage of borrowers who are asked more than once for a document already provided — a sin under the [Seven Commandments for Achieving Borrower Satisfaction](#) — is much higher in the CD channel (44.1 percent) than it is in either the Retail channel (28.5 percent) or the Wholesale/Broker channel (17.5 percent). Considering all channels, requesting the same document multiple times reduces the SAT score from 90 to 77.

Chart 5



MortgageSAT, March 2018 ©STRATMOR Group, 2018.

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Overall, there are substantially more fulfillment-related problems in the CD channel than there are in either the Retail or Wholesale/Broker channels, which has a significant effect on satisfaction scores. Why this is the case is not clear; however, one possible reason is that without the hand-holding of an LO throughout the process, miscommunication and unmet expectations are more likely, which the borrower interprets as “problems.” After all, in many organizations, the CD channel utilizes the same back office as the Retail channel and therefore, we might expect little or no difference between the percentages of problems and problems resolved between Retail and CD. And in situations where CD has its own dedicated back office, we might expect even fewer problems unless the CD fulfillment staff is systematically less experienced than the Retail staff.

What’s a Lender to Do?

Problems in the fulfillment process create unhappy borrowers who make their dissatisfaction known in their reviews. Benchmarking your data against the MSAT lender data in Charts three and four can help you determine where your company stands in comparison to your peers. Also, across channels lenders should consider the following to pinpoint problems in the borrower’s experience:

1. **Identify systemic problems.** Breakdown and categorize the problems by type or source, whether people, processes or systems. If your customer satisfaction survey tool collects comments from borrowers, review this feedback and use it to inform your discussion of the causes of their dissatisfaction. Was it because of the type of problem? Are there issues with the problem-resolution process? Are their personnel issues?
2. **Take corrective action.** Take steps now to correct “low hanging fruit” problems and determine how you will address more complex issues. Look for ways to revise your processes, train your staff and improve your system interfaces with the borrower.
3. **Monitor customer feedback and respond.** Check customer feedback often and respond to their concerns before their concerns turn into problems the borrower shares with others. Lenders with STRATMOR’s MortgageSAT program receive real time alerts on highly-dissatisfied borrowers so that they can respond before borrower complains to regulators or on social media. If you use a survey service to gather borrower feedback, use it as a management tool to help you to create more satisfied customers.

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 ■