The Borrower Experience

DO FIVE-STAR REVIEWS MATTER, REALLY?

AN EXCERPT FROM

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DO FIVE-STAR REVIEWS MATTER, REALLY?

There probably isn't a lender or originator around who doesn't want to provide the kind of great service that delights the borrower and brings that borrower back to do business again. Knowing that you've done right by your customer is a great feeling, and doing right by your customer is good business, especially when that customer shares their positive experience with others.

Recent data from the American Consumer Satisfaction Index shows that companies with year-over-year gains in customer satisfaction from 2000 to 2016 saw their stock price grow at 14-times that of companies who did not improve satisfaction scores. How is it that customer feedback translates into revenue?

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There are two schools of thought on this:

1. First, by collecting testimonials on social media you will increase your company's visibility, which will directly drive new customers to you.
2. By gathering borrower feedback that provides you with deep insights into processes and personnel to enable you to fix problems, resulting in delighted customers who will be referral sources.

Which do you think would have the greatest impact on your future revenue growth: testimonials or process/personnel improvements?

If we judge by the growth in the number of consumer review websites versus diagnostic services, testimonials would be the easy choice. Since 2006, when social media began its rise, the world has embraced the online review process.

Today, according to a recent Forbes survey:

- 90 percent of consumers read an online review before visiting a business
- 67 percent of purchasing decisions are impacted by online reviews
- 84 percent of people say they trust online reviews as much as a personal recommendation

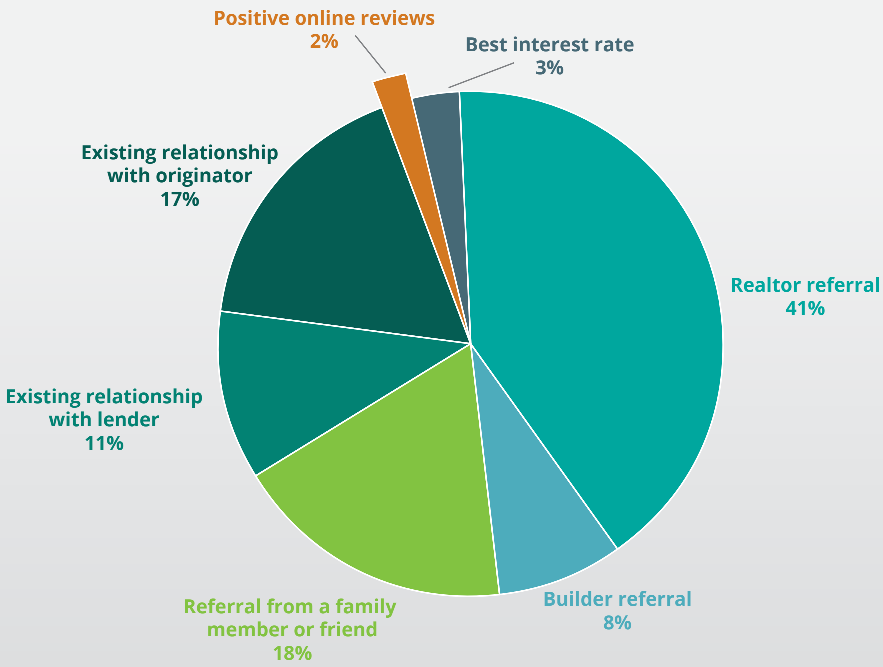
Unsurprisingly, the mortgage world is experiencing a similar frenzy around gathering and sharing reviews, with the rise of review sites like Zillow, BankRate, LendingTree, and Consumer Affairs along with scores of new-entrant companies that promise to collect and disperse borrower testimonials across the Internet.

It would seem lenders should drop everything and focus all available resources on gathering and sharing testimonials. That's where the new business and revenue potential must be coming from, right?

Not exactly.

According to data from STRATMOR's MortgageSAT program, which surveys over 100,000 borrowers annually:

- Only **two percent** of borrowers say that online reviews were the primary reason they chose their lender.
- By contrast, **95 percent** of borrowers cite a referral or existing relationships as their main reason for choosing their lender.



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What the Numbers Show

Nonetheless, we believe that online reviews are important, but in a different way than previously thought. While they may not be the deciding factor in a borrower's lender decision, they are being read. In fact, 32 percent of borrowers say they read one or more online reviews before making a decision. This leads us to believe that the primary use of an online review is to confirm referrals that have already been made.

Of the 32 percent of borrowers reading online reviews, the typical path is to:

- Get a referral (from their real estate agent, family member or friend)
- Google search the Lender/Loan Officer to find reviews
- Confirm the positive referral of a Lender/Loan Officer by reading reviews

There is certainly great value in reviews as a confirmation tool, but the idea that online reviews in and of themselves drive organic growth (i.e. someone searching for a loan officer or lender without first having a referral) is simply not supported by the numbers. The promises of testimonial collection companies sound like easy money, but they ultimately fail to deliver any real boost in revenue.

What's a Lender to Do?

If five-star reviews are being used to confirm referrals, not create new ones, then perhaps the lender focus should be on what it takes to produce delighted borrowers who will be highly likely to use the lender again and refer the lender to their friends, family and co-workers. In other words: Create raving fans that will sing your praises to everyone they know.

Here are four steps to creating raving fans:

1. **Identify and Fix Problems — "Remove the Weeds"**

   For many borrowers, the loan process is often like being asked to walk barefoot across a lawn spotted with thistle weeds. Stepping on a weed will ruin their day — it doesn't matter how quickly the LO shows up to help them hobble the rest of the way along or how many apologies are offered — the day is ruined. Remove the weeds: breakdown and categorize the problems by type or source, whether people, processes or systems. A three-question survey will not give you enough insight into problems and their causes. 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.

2. **Closely Monitor Your "Soft Spots" — The Seven Commandments for Achieving Borrower Satisfaction**

   Take steps 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. This may

require asking more questions and diving deeper into the borrower's overall experience than you're used to. Valuable process insight can come from asking such questions as:

- How important is it for the LO to attend the closing?
- How do borrowers prefer to receive updates?
- What happens when the borrower does not receive a checklist?
- What happens when a borrower is not called prior to closing?
- How important is it to start the closing on time?

3. **Build Culture That Celebrates Satisfaction**

   Score everyone — Create a culture around satisfaction. MortgageSAT scores the LO, Processor, Underwriter and Closer and gives you visibility over every part of the loan sales and fulfillment processes. Use alerts to bring more people into the conversation (i.e. Marketing, Compliance, Operations, Executive Management). Lenders who only measure their loan officers' performance are missing a big part of the picture. It's common to see LOs with high satisfaction ratings (most borrowers love their loan officer), but a low "Likelihood to Recommend" score. This is because the LO does a great job of ushering the borrower through a less-than-delightful loan process, but, at the end of the day, the borrower is more likely to tell their friends how dreadful the process was, not how nice the LO was.

4. **Know Thyself vs. Peers (National Benchmark)**

   Take advantage of MortgageSAT's National Benchmark, the largest in the industry, to find out how satisfaction is affected by loan, process and borrower attributes. Also, compare your scores against the National Average in a real-time web portal.

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