

The Borrower Experience

PRIMARY REASONS FOR CHOOSING A LENDER

AN EXCERPT FROM
STRATMOR
INSIGHTS

The Borrower Experience



PRIMARY REASONS FOR CHOOSING A LENDER

Here at STRATMOR, we've been saying for some time that delivering a superior borrower experience is the key ingredient for competitive success. Why? Because when the borrower is happy, they will refer friends and family to you, their real estate agent will continue to refer purchase borrowers to you, they will post positive comments online at your website or on social media, and last, but not least, they will do business with you again.

The Borrower Experience

PRIMARY REASONS FOR CHOOSING A LENDER



Table 1 below shows the primary reasons why borrowers choose their lender.

Table 1

Primary Reason for Choosing Lender	% of Borrowers	
	Refinance	Purchase
Best interest rate	5.06%	1.76%
Builder referral	1.16%	6.06%
Existing relationship with lender	23.13%	6.52%
Existing relationship with originator	30.56%	12.92%
Other	13.14%	6.84
Positive online reviews	3.48%	1.95%
Realtor referral	6.18%	46.76%
Referral from a family member or friend	17.28%	17.16%
Totals	100.00%	100.00%

MortgageSAT, April 2018 ©STRATMOR Group, 2018.

What the Numbers Show

Price (best interest rate) is not what drives borrower selection of a lender. In fact, price is the primary reason for lender selection for only five percent of refinance borrowers and less than two percent of purchase borrowers.

For **refinance transactions**, the key reasons why borrowers select a lender are, in rank order: an existing relationship with an originator (30.56 percent), an existing relationship with the lender (23.1 percent) and a referral from a family member or friend (17.28 percent).

An existing relationship with an originator typically involves a favorable prior origination experience with the originator or a recent contact initiated by the originator regarding the opportunity to refinance. An existing relationship with the lender typically involves borrowers whose current loan is being serviced by the lender and, having had a good prior origination experience with the lender, seek out the lender to refinance their current loan. And, where a borrower reaches out to family members or friends for advice, a positive referral only occurs where the family member or friend has had a positive prior origination or servicing experience with the lender.

The Borrower Experience

PRIMARY REASONS FOR CHOOSING A LENDER

Each of these three top reasons for choosing a lender for refinancing — which in aggregate account for roughly 70 percent of refinance borrowers — is based upon a positive borrower experience with the lender — experienced either directly by the borrower or by their referral or advice source.

Probably the biggest surprise in the data is the unimportance of online reviews (which are even less important to purchase transactions) as a primary reason.

Could it be that all the hype about the importance of postings to social media and lender web-sites is overblown? Maybe so, but it is also possible that such postings serve to back up or confirm a real estate agent referral or recommendations by a family member or friend. In fact, as discussed later in this article, MortgageSAT research shows that nearly one-in-three borrowers are reading one or more online reviews — somewhere.

With purchase transactions, 47 percent of borrowers choose a lender based on a referral by a real estate agent. The key to getting real estate agent referrals is for an originator to build ongoing positive relationships with such agents by closing on time and keeping the borrower happy.

The “elephant in the room” here is that homebuyers are increasingly coming to a Realtor with a solid lender pre-approval in-hand, subject only to an appraisal once a property has been selected. If this trend continues — and we think it will — the importance of real estate agent referrals in choosing a lender will steadily decline in favor of existing relationships with an originator or lender and positive online reviews at social media and lender websites.

Are the reasons for choosing a lender correlated with a superior borrower experience?

Table 2 shows NPS score as a proxy for the borrower experience. The NPS is calculated as the percentage of borrowers who are “promoters” — borrowers who rated their experience a 9 or 10 out of 10 — less the percentage of “detractors” — borrowers who rated their experience at 6 or less out of 10. In effect, the NPS score tells us, on a net basis, how many borrowers had a very favorable experience.

Table 2

Primary Reason for Choosing Lender	% of Borrowers	
	Refinance	Purchase
Best interest rate	73	66
Builder referral	71	49
Existing relationship with lender	74	71
Existing relationship with originator	89	88
Other	68	64
Positive online reviews	83	78
Realtor referral	77	75
Referral from a family member or friend	84	84
Simple Average	78	72
Weighted Average	80	76

MortgageSAT, April 2018 ©STRATMOR Group, 2018.

The Borrower Experience

PRIMARY REASONS FOR CHOOSING A LENDER



The key takeaways are:

1. Average NPS scores across the “primary reasons for choosing a lender” are relatively high for both refinance and purchase transactions, whether taken as a simple average of NPS scores (78 and 72) or as a weighted average (80 and 76).
2. At NPS scores of 89 (Refinance) and 88 (Purchase), choosing a lender based upon an existing originator relationship is associated with the best borrower experience by a relatively wide margin relative to the simple average of all reasons. This should not be surprising given the pivotal role of the originator in providing the borrower loan selection advice, assisting the borrower in gathering necessary information, and finally, in ongoing communications with a borrower.
3. Referral to a lender by a family member or friend, at NPS scores of 85 (Refinance) and 84 (Purchase), is also a reliable predictor of a superior borrower experience. To make a lender or originator referral, the positive feelings must be strong as there is a lot more at stake when recommending a lender to a friend or relative than there is when, for example, recommending a movie.
4. Positive online reviews — which as previously noted do not drive a significant percentage of lender selection decisions — were also correlated with better than average NPS scores.
5. Realtor referrals generated middle-of-the-pack NPS scores (77 and 75). This is especially surprising with purchase loans where, given the alignment of interests between the real estate agent and the borrower, we would expect lender referrals by real estate agents to result in significantly superior borrower experiences. Not the case!
6. Builder referrals for purchase loans garnered a worst-in-class NPS score of 49. This is roughly 20 points below the average and suggests to us that builders are selecting lender partners on factors other than the borrower experience being delivered.

The Role of Social Media

In more recent versions of the MortgageSAT borrower survey, borrowers are asked:

“On which website(s) did you read online reviews about mortgage lenders? Select all that apply.”

Table 3 displays the results of this question. About 61 percent of borrowers responded that they did not read any online reviews and an additional 10 percent said that, although they read online reviews, they could not remember specific websites. Only 29 percent of respondents selected one or more of the listed websites. For each of these sites, the percentage mentioned is not the percentage of borrowers who read online reviews exclusively at that site since borrowers can select more than one site.

The Borrower Experience

PRIMARY REASONS FOR CHOOSING A LENDER



Table 3

Website Selected	Net Promoter Score	% Mentioned
Lender's website	87	8.88%
Facebook	86	2.69%
Yelp!	82	2.45%
Zillow.com	81	5.68%
Don't remember	77	10.05%
Other	76	3.55%
I did not read any online reviews	74	61.08%
LendingTree.com	73	2.28%
ConsumerAffairs.com	69	0.96%
NerdWallet.com	64	0.94%
BankRate.com	63	1.44%

MortgageSAT, April 2018 ©STRATMOR Group, 2018.

Of the 29 percent of borrowers who read at least one online review, the most frequented site was the lender's website, and that such borrowers generated a high NPS score of 87. In terms of NPS, Facebook, Yelp! and Zillow all generated NPS scores over 80, with Zillow being the most frequented site other than the lender's website. Positive online reviews are infrequently the primary reason for choosing a lender, but they can confirm referrals that have already been made and, as Table 3 suggests, result in higher borrower satisfaction scores. Further, LOs have come to believe that positive online reviews are paramount to increasing their referral business, especially when used as a tool to recruit new real estate agent referral partners.

The Borrower Experience

PRIMARY REASONS FOR CHOOSING A LENDER



What's a Lender to Do?

There are steps lenders can take to improve the borrower's experience to keep them happy and coming back to do business with you.

Build strong referral relationships. The best way to help loan officers retain strong referral relationships is to delight the customer every step of the way. To keep the real estate agent relationship strong, doing the job well and creating "raving fans" of the borrower is essential. This means helping LOs see blind spots in their services and providing coaching insights on how they can improve. It also means sitting down with the LO and reviewing loans where client feedback showed an unwillingness to recommend them, and having open dialogue about how they plan to change the conversation.

Delight the customer. Many LOs think that receiving high personal marks from a borrower will lead to referrals, but our data suggests otherwise. Sometimes, borrowers perceive their LOs as having shielded them from the "mean underwriter" or the "demanding processor." Rather than being delighted with the process and ready to recommend, the borrower ends up bad-mouthing the lender. Delighting the borrower happens across the span of the entire loan process. A tool like MortgageSAT will give you the insights needed to fine-tune each phase of the origination process by loan participant.

Develop the right kind of online presence. According to data from STRATMOR's MortgageSAT program, very few borrowers are searching organically for their lender. Instead, they are using online review sites to confirm referrals they have already received. While it is important for loan officers to have an online presence, they should not expect organic referrals from it - real-life referral relationships are still king. MortgageSAT has tools that make it easy for a lender's satisfied borrowers to post comments to the lender's website and to Zillow. For more on social media sites, see this article on the STRATMOR website by MortgageSAT Program Director Mike Seminari: "[Which Social Media Sites Have the Greatest Potential for Impacting Revenue?](#)"

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 ■