MortgageSAT
MONTHLY TIP

MORTGAGESAT®
MEASURING THE BORROWER EXPERIENCE
A SERVICE OF STRATMOR GROUP

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Back in the 1980s, in the days before the Internet, applying for a mortgage loan required physically going into a bank and independent mortgage lenders were barely a blip on the financial radar screen. Some thirty years later, independent lender Quicken has eclipsed the previously untouchable Wells Fargo in loan volume for the first time. Big banks are on their heels as independents have surged ahead in market share, particularly in purchase business, which went uncontested for years. One of the biggest reasons for this shift in power has been the independents' ability to provide an exceptional customer experience, thereby driving referrals from satisfied customers and traditional referrals sources. Our question this month: Why do many independent mortgage bankers (IMBs) beat large banks when it comes to satisfying their borrowers?
Enjoy,
Mike

Why this is important for ReverseVision:

The ability to delight customers is more directly tied to revenue than many lenders think. When you cannot compete on service, you are forced to compete on price, which quickly cuts into profit margins. An inability to compete on service also means you gain fewer referrals and end up having to spend more on marketing to drive leads.

THIS MONTH'S ISSUE

WHY DO INDEPENDENT LENDERS BEAT BIG BANKS IN CUSTOMER SATISFACTION?

When it comes to mortgage origination, banks are not known for their stellar customer service. In fact, the top five nationally-ranked lenders in terms of borrower satisfaction, according to J.D. Power's 2018 U.S. Primary Mortgage Origination Satisfaction Study, are *all* independents (incidentally, three of those five also happen to be MortgageSAT clients). And, according to MortgageSAT data, many of the smaller IMBs appear to be right in step with the larger IMBs, with satisfaction scores that would earn similar top-tier national rankings. Why is this?

Some will say that the flexibility of the compensation structure at independent lenders (read "more money to be made") allows independents to attract better talent. This assumes, of course, that with talent comes better customer care. STRATMOR's Originator Census data does indeed show that independent LOs are compensated more generously per loan than bank LOs (111 bps vs. 73 bps), however, MortgageSAT data over the same time frame shows there is no difference in LO satisfaction ratings based on affiliation with a bank or independent, with both scoring 95 on a 100-point scale. So, what else could it be?

Whether bank or independent, the ability to improve the customer experience is largely dependent on the data you have available and what you do with it. Queue the adage, “You have to find the holes before you can fix the leaks.” Gathering rich data (and getting the most out of it) means knowing the right questions to ask, having a methodology to analyze the feedback, being able to compare results against peers, and then amplifying the customer voice via social media. IMB’s have been quick to turn to best-in-class solutions like MortgageSAT to help with these things, and it’s showing. Big banks, on the other hand, have been much slower to embrace third-party help.

THE DIAGNOSIS

We believe that there are three underlying reasons why big banks have been slow to embrace outside help in creating customer delight:

1. **Big banks are often stuck with enterprise-wide survey tools.** These solutions are usually appropriate for simple bank transactions like the opening of a checking account or an auto loan. However, they are wholly inadequate to measure the complexity of a mortgage transaction, which typically involves a much longer timeline and many more employee interactions. The inability of these multi-business line survey solutions to “go deep” with the customer means the bank must forfeit valuable actionable feedback that could otherwise have helped them improve their service. Independents on the other hand, are “all in” on mortgage — it’s their only channel, which makes them more flexible in terms of the vendor choices they make for their survey solution.

2. **Big banks are slow-moving**. Because of their size, banks have a lot more to lose in the compliance and data security game, so it makes sense that they would have more stringent policies and red tape to get through when trying to implement a new survey solution. Sometimes the vetting is ridiculously drawn out, as with the case of one of MortgageSAT’s large bank clients who needed more than a year to complete vendor vetting. This inability to move quickly keeps powerful tools like MortgageSAT at an arms-length, leaving the bank in the dark about how they might improve their customer’s experience. Independents are extremely mobile, often with one or two decision-makers able to drive the project forward and sign off on risk concerns. Once a vendor decision is made, they are typically seeing actionable survey results within 45-60 days.

3. **Big banks are easy targets of regulators**. The bigger you are, the bigger target you have on your back, which makes big banks skittish about using social media to market themselves. Allow a single non-compliant comment from a customer (here’s my phone number) or loose-cannon loan officer (I can get you a 3.5% rate) to slip through the cracks and you can find yourself in a world of trouble. This apprehension, though perhaps justified, is the reason big banks struggle much more than independents to build a positive online reputation. According to MortgageSAT data, 32 percent of borrowers are reading one or more online testimonials before making their final lender decision, so testimonial promotion is not a dance you want to sit out. On the other hand, independents have roundly embraced social media sharing to the point where many feel they can’t live without it.

THE PRESCRIPTION

Here are three ways that banks can adapt and compete with independents in providing an exceptional customer experience:

1. **Break the Survey Mold.** The appropriate length (and depth) of a survey should correlate with the complexity of the product and length of the sales cycle. For mortgage, that means asking more questions is not only okay — it's welcomed by the customer as a sign that you care. Ninety-two percent of borrowers who start MortgageSAT's survey, which goes deep, end up finishing every question. With rich feedback comes the ability to fix problems and change the company culture around customer delight.

2. **Let Vendor Management Know Who's Boss.** As you enter the vendor management process with a survey solution, make sure your procurement team knows that the extent of their job is to assess risk and make a recommendation. Ultimately, executive management holds the power to sign off on risk-level and move things forward. Keep in mind that the risk of *not* measuring customer feedback (especially where it might uncover problems and help preempt a BBB or CFPB complaint) may be greater than the vendor compliance risk being assessed.

3. **Enlist Compliance Monitoring Help.** The potential compliance issues that come with social media posting have given rise to companies offering compliance monitoring services. If this is the only thing holding you back from getting into the social media game, then this should be addressed as part of your decision process. After all, there are a vast array of monitoring and marketing tools and we can advise you on approaches for this.

YOUR IMPACT

How can I learn more about MortgageSAT and how this can impact ReverseVision specifically?

To learn more about STRATMOR's MortgageSAT Borrower Satisfaction Program and how transparency into the loan process can specifically help **ReverseVision**, give me a call or reply to this email. I'd be happy to set up a **30-minute call** to share additional insights and show you the product.

To see how improving your NPS score translates into real revenue dollars, try our new MortgageSAT calculator, available on the MortgageSAT webpage.

To find more MSAT Monthly Tips, click here.

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