

Winning on the Mortgage CX Battlefield

Preparing Your Mortgage Business to
Compete and Win on Customer Experience

Financial Services Perspective

“IN EVERYTHING WE DO, WE ASK IF IT ALIGNS WITH OUR STRATEGY TO HELP OUR CUSTOMERS IMPROVE HOW THEY MANUFACTURE LOANS. THIS IS HOW WE SEE THE WORLD — IT’S OUR NORTH STAR.”¹

ANDREW BON SALLE

Executive Vice President, Single-Family Business at Fannie Mae

Today’s mortgage industry faces a challenging set of circumstances that has opened the door for new market entrants, forced existing players to step up, and left some competitors permanently in the dust. New non-bank entrants that are pioneering social influencer models and customer-focused processes and technology are gobbling up market share and consumer loyalty. At the same time, backlash from the financial crisis continues. Due in part to antiquated lending and servicing practices, traditional mortgage players continue to face attacks by regulators and consumer advocate groups. All this is compounded by increasing interest rates, which are likely to decrease demand in the near term.

Only 22 percent of recent mortgage buyers report being fully engaged with their mortgage provider.² With tepid consumer trust and few opportunities to differentiate on product and

pricing, the mortgage industry’s competitive battleground has shifted to customer experience (CX). **Mortgage providers that get CX right—through the thoughtful design and delivery of seamless customer engagement—create engaged customers who are more than twice as likely to return to the same institution when they need another mortgage.** 93 percent of engaged customers also will recommend their mortgage provider to others, compared with only 3 percent of actively disengaged customers.³

Exemplary CX is the authentic platform for customer engagement. However, getting it right means positioning CX—culturally and functionally—first and foremost within the business. And it means designing and delivering a holistic experience that understands and addresses all customer touchpoints across your ecosystem.

CUSTOMER EXPECTATIONS REDEFINE THE MORTGAGE MARKET’S COMPETITIVE BATTLEFIELD

Today, customers expect Amazon-like simplicity in all they do, and demand solutions that are intuitive, immediate, and customized. Like many industries that face disruption at the hands of new entrants, a small but growing group of non-banks are leading the mortgage industry in developing a new operating model to improve CX in mortgage lending. These new competitors, unburdened by legacy technology or sales practices, are redefining the ways consumers shop, interact with lenders, and apply for loans. Social media, customer portals, electronic signatures, and trusted

source data aggregation are just a few of the ways these new competitors are redefining CX. When combined with traditional banks’ ceding ground due to regulatory pressure, it’s no surprise that non-bank lenders are increasingly dominating the mortgage market. In 2011, 50 percent of all new mortgage loans were originated by the three biggest banks in the United States: JPMorgan Chase, Bank of America, and Wells Fargo. By September 2016, the share of loans originated by these three big banks dropped to 21 percent. Meanwhile, six of the top 10 largest lenders by origination

volume were non-banks, including Quicken Loans, loanDepot, Guaranteed Rate, and Freedom Mortgage, compared with just two of the top 10 in 2011⁴ and four in 2015.⁵

Mortgage lenders face challenges that go beyond costs, compliance, and regulatory maneuvering to something much more human. Buying a new home is one of the largest, most complex, and emotionally charged purchases a consumer will ever make. **Because obtaining a mortgage is an unfamiliar and intimidating process that most consumers are likely to experience only a few times in their life, every step along the process is critically important.**

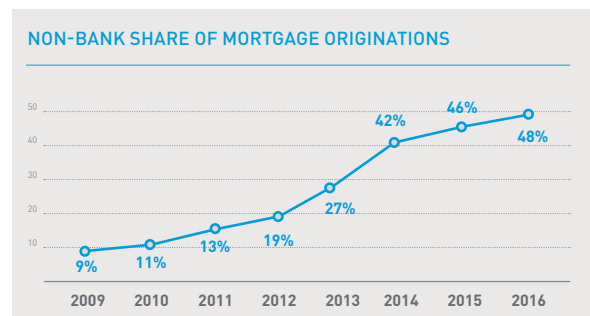
Still, 27 percent of first-time buyers and 21 percent of all borrowers regret their choice of lender.⁶ The most common reasons for dissatisfaction include lack of communication, unmet promises, or feeling pressured to choose a particular loan.

SOMETHING FOR EVERYONE: TECHNOLOGY ENABLES THE CUSTOMIZED MORTGAGE EXPERIENCE

The mortgage business has long been built on personal and professional references, but today the platforms for those referrals have changed. For example, opinions shared via social media influence purchase decisions for 84 percent of millennials.⁷

It's clear that a positive mortgage experience must include customized solutions with a variety of marketing and integrated processing platforms. For example, to facilitate faster and easier due diligence, customers of all ages are increasingly willing to hand over the "digital keys" to their assets and liabilities to trusted source data aggregators who can

Today, traditional mortgage lenders are not given the chance to make a second impression. As the wave of first-time millennial homebuyers enters the market, lenders must design and deliver experiences that go beyond meeting regulatory requirements and providing low rates. They must foster engagement through experiences that are customizable, efficient, and easy. At risk is losing a financially powerful generation of buyers who are increasingly fatigued by traditional lenders and processes that dampen one of life's most significant milestones.



Source: Inside Mortgage Finance

scrape financial data from personal accounts. However, with the keys comes elevated expectations and scrutiny, and how mortgage lenders exceed or fail to meet expectations will be increasingly shared in detail on social media platforms and rating sites such as Yelp and Credit Karma.

Mortgage buyers today are anything but homogenous. The solution to having something for everyone in the mortgage business is customization and choice. The magic is in creating a platform that puts customers in charge of their mortgage-buying experience.

THE FOUR ENABLERS OF EXCELLENT CX: ASSESSING AND ADVANCING CX IN YOUR FIRM

To help mortgage providers build a more customer-centric process, North Highland employs the four key enablers of CX: empathy, ease, relevance, and orchestration. Quicken Loans has created an effective CX strategy by designing an experience around customer needs. In the following section, we look at how Quicken Loans has employed these enablers, and we provide questions and next steps for lenders seeking to advance CX and drive increased market share.



EMPATHY: Experiences are based on an in-depth understanding of borrower behaviors, feelings, and motivations.

It all starts with a deep understanding of your potential borrowers' needs, preferences, expectations, and perceptions of your services. In mortgage buying, this includes an explicit understanding of when and where borrowers want digital touchpoints or human ones throughout the process.

Quicken Loans created a digital experience designed to make the borrower feel welcome and in control of a process that often can feel confusing and impersonal. Quicken Loans' customer interactions are free of mortgage industry jargon and presented in a way that feels natural—almost like talking one-on-one with a friend or advisor.

Assessing Empathy

- Do you know who your customers are and how they want to engage with you?
- Do you map your borrower's journey across every interaction with your organization?
- Do you track their pain points, and actively seek feedback?

Advancing Empathy

- Most borrowers don't fully understand the process or trust providers or brokers to have their best interest at heart. Design experiences that counter those perceptions.
- Get to know your customers and develop flexible engagement platforms. A hybrid process that is primarily digital yet rich with easy-to-access human touchpoints can provide borrowers with the best of both worlds.

BORROWER'S VIEW ON EMPATHY

- "This is my first time applying for a mortgage. I have no idea how this all works – help me through it."
- "Help me to understand how much mortgage I can afford."
- "Applying for a mortgage is a big time commitment. Are you going to be honest with me about how likely I am to be approved?"
- "I'm providing a lot of personal information and want to know that it's secure and protected."
- "Will you take the time to understand my unique employment and income situation?"

RELEVANCE: Solutions and services add value through utility and by meeting basic customer needs—all at the right time and in the right place.

By understanding borrowers' needs and preferences, lenders can communicate in the most effective way by using the right channel to present the right information at the right time.

Many lenders offer dashboards, which provide borrowers with a digital space where they can see real-time loan updates, contact customer service, and access their full portfolio of loan documentation. It's everything they'll need to close their loan, all in one place and accessible 24/7. These customer portals, such as Quicken Loans' MYQL, enable the borrower to communicate directly with the processors, underwriters, and closers handling their loan. They can ask and answer questions, see when documents are reviewed and approved, and even view their home appraisal.

Assessing Relevance

- Do you use customer personas to help guide your interactions with different borrower types? For example, how experienced are your customers with the borrowing process? What level of service do they expect?
- Do you have the technical platform capabilities to deliver customized digital experiences?

Advancing Relevance

- Establish customer and referral partner portals to provide a seamless narrative—accessible when and where borrowers want it—and customer-initiated touchpoints as the loan moves through the process.
- Leverage segmentation models and personas to enhance your organizational understanding of meaningful differences between borrowers, and how to best reach and support these unique customer types.

BORROWER'S VIEW ON RELEVANCE

- "I don't understand the difference between fixed rates and ARMs, traditional or jumbo. Let's talk about the mortgage products that are best for me."
- "I'm a veteran. How do I find out if I qualify for a VA loan?"
- "Given my income and credit history, what size mortgage can I qualify for?"
- "The value of my house has increased. Can I refinance my loan to receive money for other uses?"

EASE: Customers derive value from experiences that are apparent, accessible, effortless, and uncomplicated.

You can't deliver an exemplary customer experience without speed and reduced effort. For example, e-documents and e-signing are now table stakes. Yet 59 percent of mortgage customers report they were asked for additional documentation at least once during the approval process, and 28 percent were asked to provide documentation they had already supplied.⁸

Successful experience delivery – the kind that creates engaged, loyal customers – applies technology and cross-functional customer-centricity to make the mortgage-buying process easy, seamless and, as much as possible, error-free.

Quicken Loans' Rocket Mortgage exemplifies ease by enabling borrowers to provide access to bank and investment assets, income and property details by digitally sharing bank accounts, investment accounts, employer records, and tax returns. Once Quicken Loans obtains permission and account details, it can retrieve the information instantaneously and approve the loan. This means no more lost documentation and greater ease for the borrower.

Assessing Ease

- Are data, documentation, and borrower information easy to access and share internally?
- Are you embracing the latest technology and giving authority to automate data capture and verification where possible?
- Do you explain the entire process to borrowers upfront to avoid unexpected roadblocks or surprises?

Advancing Ease

- Go digital. Borrowers expect a customized, easy, and human-centric application and servicing experience that can be accessed seamlessly across multiple platforms.
- Apply automatic decision-making and business-rule automation to enable an easy mortgage application process. Artificial intelligence can help to replace manual verifications, appraisals, and most underwriting.

BORROWER'S VIEW ON EASE

- "How much information do I need to provide to get pre-qualified?"
- "Collecting all of my information and sending it to you can be a time-consuming process. Is there anything that can make it simpler?"
- "How long will it take to know whether I've been approved for a loan?"
- "I hear that the closing process can be filled with surprises. I want to know what to expect and how you'll help me prepare."

ORCHESTRATION: Specific interactions and touchpoints are designed and delivered as a system versus a discrete transaction.

Traditional mortgage lenders have designed their organizations to support traditional ways of doing business. Mortgage origination, processing, and underwriting are handled by separate verticals within an organization that often operate independently. Handoffs are poorly coordinated and require the borrower to navigate the transitions from one group to the next. And ultimately, siloed employees are blinded to the holistic CX.

But to the mortgage buyer, you are one company.

To be effective, your CX function must have insight into and influence over every component of the organization. Leadership needs to be function-agnostic, and offer incentive programs for employees and teams to be aligned to deliver on CX goals. When facilitated by robust and customizable technical platforms, a holistic CX strategy delivers orchestration that drives value and loyalty.

Assessing Orchestration

- Are your interactions with borrowers managed in siloed functional groups, or are you organized to optimize borrower interactions across the organization, over the entire borrower journey?
- Is borrower experience part of your firm's culture, and is it consistently a strategic priority among the senior leadership of the firm?
- Do you have an internal organization with the mandate and the clout to make CX a company-wide priority?
- Do you compensate and incentivize your employees based on CX standards and measures of excellence?

Advancing Orchestration

- Organize your business around the borrower's journey, not functional groups, to eliminate clunky handoffs between origination, fulfillment, closing, and servicing.
- Appoint a CX organization and lead executive that can represent all functional groups and have the authority to measure and implement holistic CX strategies.
- Take CX measurement beyond the microeconomics of clicks and likes to understand engagement, satisfaction, loyalty, and likelihood to recommend. Determine the CX measures that can be your cross-functional standards.

BORROWER'S VIEW ON ORCHESTRATION

- "I want you to let me know where I stand in the process, so I know whether I'll close in time."
- "I've been approved – great! What are the next steps? Is everyone involved aligned so we can move toward closing?"
- "I put documents into the online portal, sent them to my mortgage banker, and when I called support they didn't talk to each other – what's going on?"
- "I want you to understand my personal loan situation and provide an online experience that makes sense."

STAKING A CLAIM IN THE CX ECONOMY

Mortgage companies need to understand and accept that their business model has changed. Today, borrowers are rating their experiences in the mortgage-buying process against their consumer experiences in general. It's no longer enough to compete against other financial services organizations, many of which are still working to embed CX at the core of their business strategies. Instead, mortgage lenders must consider themselves in competition with the entire for-profit market, including everyone from Amazon to Netflix.

Customer experience is now the greatest differentiator in an increasingly commoditized mortgage market. To win the battle for exemplary experience, all mortgage companies must better understand their customers, and design and deliver experiences that get to the heart and soul of one of the most significant financial moments of their lifetimes.

ABOUT NORTH HIGHLAND

[North Highland](#) is a global management consulting firm known for helping clients solve their most complex challenges related to customer experience, performance improvement, technology and digital, and transformation. We add value and support our clients across the full spectrum of consulting, from strategy through delivery. We bring the big ideas, then we make them real. North Highland is an employee-owned firm, headquartered in Atlanta, Georgia, with more than 3,000 consultants worldwide and 60+ offices around the globe. The firm is a member of Cordence Worldwide (www.cordenceworldwide.com), a global management consulting alliance. For more information, visit northhighland.com and connect with us on [LinkedIn](#), [Twitter](#) and [Facebook](#).

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4. Michele Lerner, "The Mortgage Market Is Now Dominated by Non-Bank Lenders," The Washington Post, WP Company, 23 Feb. 2017.

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7. Nelson, 2 Aug. 2012.

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To learn more about how North Highland can help optimize the mortgage experience you deliver, please contact:



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John has over 20 years of consulting and industry experience. He's a skilled consulting leader with expertise in multiple areas of the financial services industry, including mortgage, retail banking, and marketing. In his project experience, John has led a range of cross-functional initiatives, including strategy, performance improvement, data & analytics, and implementation engagements.



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Rob has 20 years of marketing strategy and customer experience expertise. With an extensive cross-channel customer experience background, Rob specializes in helping clients expand their market presence by delivering experience-based differentiation. Rob is a founding partner of Sparks Grove (2006), the experience design division of North Highland.