MORTGAGE CADENCE
Lending Confidence

Borrower-Defined Digital Mortgage Expectations

High Touch Digital: Industry myth or borrower reality?

Last fall we surveyed 1,544 US consumers who had taken out a first mortgage or a home equity loan. The headline: Today's borrowers want a digital experience with a personal touch. 52% of borrowers never met in-person with their loan officer before closing, yet 36% of them wish they had. This is a strong indication that people want digital, and people still need people to help them through the mortgage process.

Survey Sample Composition and Method

Mortgage Cadence partnered with Accenture Research to conduct the survey and to compile the results.

Our first criteria for the survey was that each participant had closed a first mortgage loan, purchase or refinance, or a home equity loan within the past 90 days. Fresh data was important to us, though just as important were borrower demographics. The 1,544 participants had to be representative of today's borrowers. We achieved that mission, too:

Age
- 18-24 years: 8%
- 25-34 years: 37%
- 35-54 years: 43%
- 55+ years: 12%

Income
- <$49,999: 21%
- $50k - $99,999: 42%
- $100k - $149,999: 21%
- >$150k: 16%

Number of Mortgages Previously Held
- None (this was their first): 21%
- One or more: 79%

These are the borrowers who finance homes, with 80% being 25 – 54 years of age.

Shattering Age Stereotypes

The first misconception that surprised us: Borrower age is irrelevant. Technology is an undeniable way of life for all generations. Millennials have no greater expectations than Gen-Xers or Baby Boomers.

Personas, on the other hand, are relevant. Our survey approach helped us identify three such borrower personas, each of which defy age-specific identification:

1) Automation Enthusiasts. 15% of survey respondents want their mortgage experience to be completely digital with as little human involvement as possible. This group, the smallest of the three, admittedly skews Millennial, though is not exclusively so.

There are two surprises here. First, this group is small. With all the hype about digital, plus the size of the Millennial generation entering the home buying phase, we anticipated the all-digital mortgage borrower segment to be much larger. The relatively small size, however, is explained by the very first surprise we encountered: most borrowers, as mentioned above, still want the human touch with their mortgage transaction.

Second, Automation Enthusiasts want to take digital to the limit. Enter some information, click a button, place complete trust in technology, and out comes a mortgage. Mortgage veterans easily explain why it cannot be that automated. Borrowers who even superficially understand lending want people involved in the process. Loans are, after all, about people more than they are about data.

The Automation Enthusiast segment is one to watch, and one we expect will grow in the ensuing years.

2) Curious Customers. 58% of survey respondents identify with this persona. Spanning Millennial, Gen-X, and Baby Boomers, this majority makes the case that persona is far more relevant than age. This segment is interested in some aspects of automation in the mortgage application process, leveraging the best technology like always and everywhere access and transparency into their mortgage. This, combined with experienced lenders over-seeing the process and helping them through it at the appropriate times, is critical to Curious Customers.

This age-defying segment might come as a surprise, though it's really wholly logical. Baby Boomers invented and innovated many of the technologies in use today. Gen-Xers were born into the digital age and are the first to have experienced digital life from an early age. Millennials, of course, are digitally native, knowing no other way of life.

The surprise here, however, is the finding dispels the notion that Millennials are digitally special. Millennials have grown up with easy access at their fingertips. As a result, they rely heavily on consumer reviews, believing large corporations cannot be trusted and instead lean towards buying locally-sourced products whenever possible. The same is true for their mortgage origination. They are far less likely to go with an entirely digital origination experience in favor of a lender they feel they can trust.

3) Traditionalists. 27% of survey respondents want nothing to do with technology where their mortgage is concerned. The antithesis of Automation Enthusiasts, they want their lender to understand them, not simply data about them. That takes experienced people. They believe that data alone cannot adequately tell their story.

At almost 30% of respondents, this group further reinforces the high-touch notion. A logical conclusion about this group would be that it skews toward first-time homebuyers. It does not: those refinancing their home were over-represented in this persona. Another logical conclusion would be that this segment skews older. This is not true either. Somewhat (or very) surprisingly, Gen-Xers, or those 35 – 55 years old, dominate this segment. Making sense of this finding has to do with two factors. First is the possible experience some likely had with the mortgage process through the great recession. Technology could not adequately deal with the issues many borrowers faced during that unprecedented period. Second, this persona grew up around technology, knowing it is helpful, yet flawed - especially where data security and privacy are concerned. These two factors likely explain why the very group expected to be highly digital are not.

90% Say It's Easy

The high level of satisfaction with the digital mortgage process, 90%, was the survey's next surprising finding. On three measures - length of time to complete the lender application, ease of use of their lender's website, and lender response time - satisfaction was remarkably high. The survey says:

- **40%** completed their online mortgage application in 15 minutes or less. 84% did so in 25 minutes or less. Think back to the days of pure 1003 paper mortgage applications where the experience could easily take an hour or more. Borrowers appreciate the time savings and the control online applications afford.

- **90%** of respondents said their lender's website was easy to use. This statistic alone sends a strong message that existing technologies are meeting borrower expectations to a high degree. Said another way, while better is always possible, having an online application available to borrowers is essential to overall satisfaction.

- **73%** of respondents were pleased with their lender's response time. Surprising when you factor in response times reported from the survey, from a pure customer service perspective, seemed sluggish:
  - One hour: 21%
  - Six hours: 20%
  - 24 hours: 31%
  - Next business day to more than three business days: 28%

In today's instant gratification world, how will borrowers continue to be as satisfied as they reported given the relatively long response times? Simple answer: They won't. These timeframes will have to be dramatically shortened, and quickly, to simply maintain borrower satisfaction.

The New Must-Have: Data Aggregation

The most surprising finding is this: 60% said that with their next mortgage application, they would be willing to securely share their login credentials to automatically pull their data. Data aggregation is the new mortgage lending must-have.

Another surprising element of this finding is just how long it has taken to get to this point. Several of the earliest online mortgage portals pulled credit reports early in the online experience, then presented the borrower's liabilities to them.

The benefit for the borrower is clear: less work for them. The lender benefit is equally clear: less reliance on borrowers for the right information at the right time. With loan manufacturing costs at an all-time high, the amount of time data aggregation potentially saves is one way lenders can reduce their cost to close.

By way of example, let's assume it takes 60 days to close a loan. Let's further assume it costs $7,562 to close, as the Mortgage Bankers Association's Annual Performance Report for 2016 tells us. That makes the cost per day to close $126. Said another way, every day a lender waits for their borrower to respond to a request for information costs them $126. Data aggregation, nowhere near that expense, is easily a bargain.

eClose: (Almost) Every Borrower Wants It

It has been possible, for some, to electronically close a mortgage loan since at least 2008.

Though not as widely available as the technology allows, one-third of survey respondents indicated they closed their mortgage at least partially electronically. Simpler, faster, more convenient for all parties, this is good news for the mortgage industry. Even better news is two-thirds of respondents wished they had eClosed and for the same reasons.

While convenient for the borrower, the benefit is equally as good, or perhaps better, for the lender. Less paper, no courier expenses, faster investor delivery, quicker funding, and a permanent eVaulted record of the transaction and storage of the note for easy retrieval are all ways in which eClose can - and does - decrease the cost of closing a mortgage.

Our Recommendations

1) Employ the Best Technology and the Best People. Unifying the best of both digital methods of origination and human interactions is likely to please the masses. 45% of borrowers say they are very satisfied with their lender, and 61% are very likely to remain loyal to their lender in the future. Increasing satisfaction beyond these levels is doable. The key to this is adapting your digital mortgage offering to borrower needs and expectations.

2) Play to Personas. Add the Digitally Curious to the Automation Enthusiasts and almost 75% of borrowers embrace the digital mortgage experience. Expect this number to grow as traditionalists come around to the ease, speed, and convenience that online lending offers.

3) Take Two Giant Steps Forward. Borrowers indicated they will use data aggregation and eClose services. Both enhance their experience, while decreasing the lender's cost to manufacture. Neither are giant technological steps so much as they are significant process leaps forward in automation and efficiency.

Successful digital mortgage lending extends the best in customer service, face-to-face when possible, combined with the latest in lending technologies. Both require investment, and both require constant attention. Customer service expectations will continually escalate as will the tide of technologies intended to make the mortgage transaction evermore frictionless.

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About Mortgage Cadence

Mortgage Cadence, a wholly owned subsidiary of Accenture, has been working with lenders since 1999, offering mortgage technology solutions designed for point-of-sale through post-closing. In a time when efficiency, speed and the customer experience are paramount to the success of lenders, Mortgage Cadence offers reliable software and experienced people, supporting lenders every step of the way.

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