



Mortgage Servicing Satisfaction: Going Above and Beyond CFPB Regulations

With new Consumer Financial Protection Bureau (CFPB) regulations going into effect in 2014, the mortgage servicing industry is at a pivotal juncture. Based on these new regulations and the existing mortgage rules, there are growing pressures and demands on servicers in relation to mortgage servicing policies and procedures. Simplicity of communications, clarity of fees and statements, problem prevention, and prompt problem resolution form the foundation of providing the optimal servicing experience for customers and of complying with the servicing mandates of the CFPB regulations.

What should servicers do to create the optimal customer experience?

Provide a billing and payment process that is simple and straightforward by answering the basic questions of who, when, how much, why, and what for

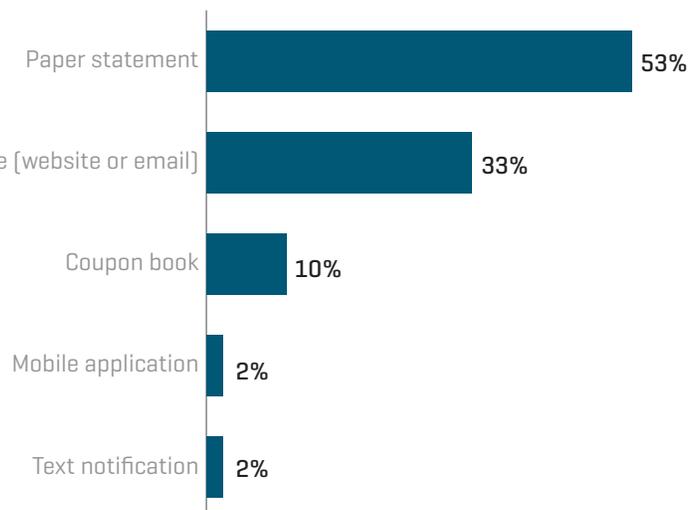
CFPB rules will require that mortgage servicers provide a monthly billing statement, including transaction detail, contact information, payment history, and details on how to get assistance. CFPB rules will also require servicers to credit customers for the full payment the day the payment is received. According to the *J.D. Power 2013 U.S. Primary Mortgage Servicer Satisfaction Study*,SM mortgage servicers excelling at this latter rule encounter fewer general and escrow payment problems. In addition, the study finds that while the incidence of problems overall is relatively low, continued improvement should be a focus to ensure

future compliance with CFPB billing and payment processing rules.

- Servicers should continue to improve the methods by which they communicate with customers to ensure they align with customer preferences.
- Servicers should focus on ensuring customers receive their statements via their preferred method, as it improves the likelihood statements will be completely reviewed, which leads to higher satisfaction.
- The majority of customers indicate a preference for online billing and payment; however, more than 50% indicate still receiving a paper statement.

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METHODS BY WHICH CUSTOMERS RECEIVE THEIR BILLING STATEMENT



Source: J.D. Power 2013 U.S. Primary Mortgage Servicer Satisfaction StudySM

- Misapplied payments are the most-frequently reported payment problem; these errors occur less frequently when customers use online or automated payment methods.

Improving customer understanding of escrow accounts

Mortgage servicers have improved significantly in Escrow Account Administration by enhancing their communications—specifically by providing escrow analysis guides to customers. While providing guides alone does not ensure complete understanding of the escrow process among customers and understanding remains a challenge, it does provide a foundation. In addition, servicers should provide escrow information online. Customers indicate increased understanding and clarity when receiving an online escrow statement. Providing escrow information online may also assist servicers in spotlighting key changes more effectively, as well as links to additional information and support.

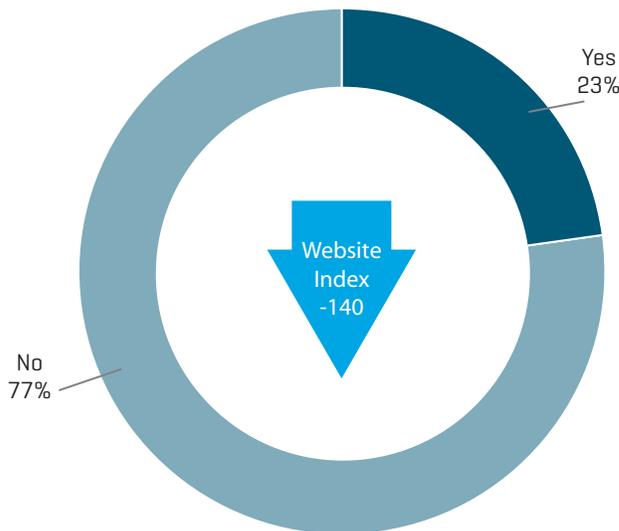
Servicers should also focus on at-risk customers. This customer segment indicates understanding escrow statements and receiving an escrow analysis guide at levels significantly below other segments.

Design websites to focus on the key functions performed by customers—keep it simple with respect to navigation and language

Website usage among customers remains stable, with slightly less than 60% of customers visiting their mortgage servicer’s site. Only a small fraction (7%) of customers indicate primarily using tablets or smartphones to access the website; however, this may become a point of differentiation, as seen in other areas of the financial services industry. Given the large proportion of customers using servicers’ websites, ensuring information is easy to find and that self-service functions are user-friendly may help reduce the volume of customers turning to the contact center for assistance.



EXPERIENCED A WEBSITE PROBLEM
[Change in Website satisfaction when problem is experienced]



Source: J.D. Power 2013 U.S. Primary Mortgage Servicer Satisfaction StudySM

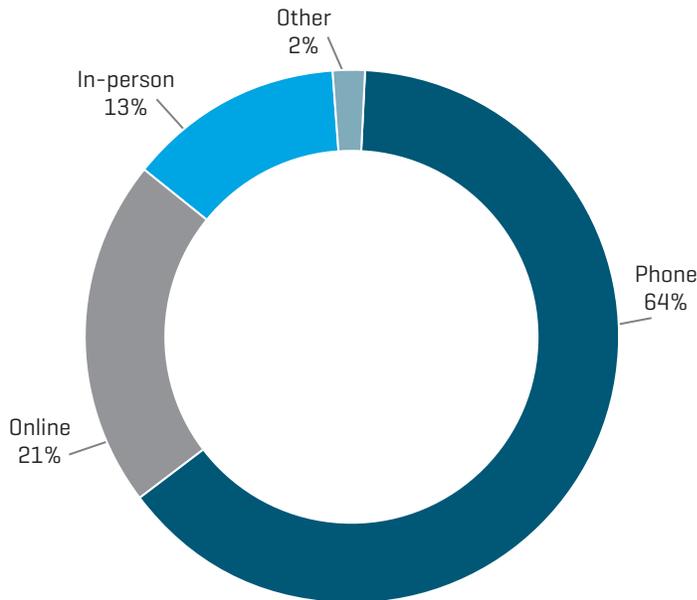
- Focus on website-related problems: These problems present a substantial opportunity for servicers, as nearly one-fourth of site visitors indicate experiencing a website problem. Problems experienced by customers include difficulties in accessing the site and locating desired information.

Focus on preventing common service problems and implementing an effective system for managing and monitoring issues

CFPB rules will require mortgage servicers to have a defined process to manage and respond to complaints and requests. According to the study, customer contacts occur most frequently via phone, and a single point of contact typically results in higher levels of satisfaction.



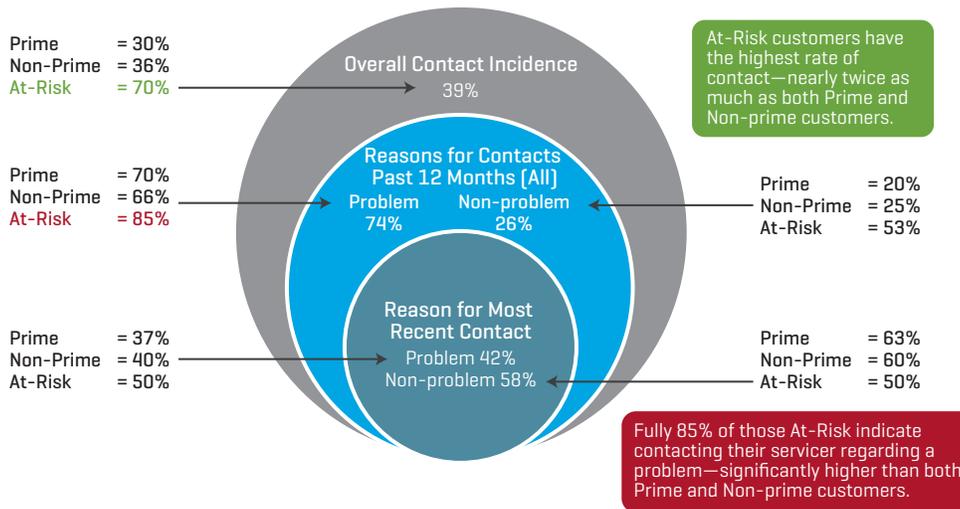
METHOD OF MOST RECENT CONTACT



Source: J.D. Power 2013 U.S. Primary Mortgage Servicer Satisfaction StudySM

Customers are more likely to contact their servicer when they experience a problem, with at-risk customers doing so at the highest rate.

NATURE OF CONTACTS



Prime customers are those who have a credit score of 720 and above (D11=4) or excellent credit history (D10=4);

Non-prime customers are those who have a credit score below 720 (D11=1,2,3) or a poor, fair, or good credit history (D10=1,2,3);

At-Risk customers are those who are behind on their mortgage payments (L2=3), concerned about making future payments (L3=1), or at risk of foreclosure (L4=1).

Source: J.D. Power 2013 U.S. Primary Mortgage Servicer Satisfaction StudySM

- Clearly define the escalation and resolution process: Servicers should reduce unnecessary and inappropriate call transfers for customers, especially at-risk customers. A single point of contact, while not necessary in all circumstances, generally requires fewer customer contacts to reach a resolution and results in a more satisfying customer experience.
- Provide a single point of contact for problem resolution, and make sure you clearly articulate to customers how and who to contact to solve issues.

Summary: For servicers to create the optimal customer experience, they should:

- Communicate clearly by delivering information via the channels preferred by customers
- Provide a billing and payment process that is simple and straightforward by answering the basic questions of who, when, how much, why, and what for
- Design websites to focus on the key functions performed by customers, with an emphasis on simplicity of navigation and use of customer-friendly language
- Continue efforts to improve customers' understanding of escrow. Customers increasingly indicate receiving communication about the subject, but complete understanding remains a challenge for many customers

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