



Improving the Return on Investment in Mortgage Satisfaction—Driving Repurchase Rates

PROBLEM:

Slowing loan volumes, price compression, and regulatory costs

The confluence of conditions in the mortgage industry, such as a slowing refinance market, stricter underwriting rules, margin compression, and increasing costs in origination, are putting lenders in a pinch to build business. In the face of these challenges, how can lenders sustain profitable growth?

According to the *J.D. Power and Associates Mortgage Origination Satisfaction Study*,SM the answer is simple: retain your existing

customers. The study has identified three solutions that may lead to immediate positive results.

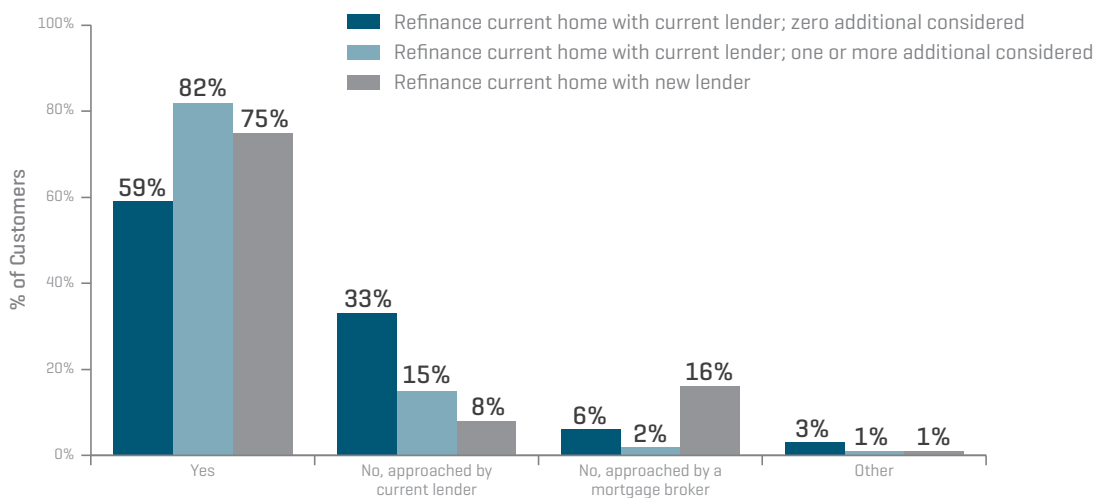
SOLUTION NO. 1:

Ask for the business

Lenders that proactively approach their existing customers regarding refinancing their loan have a significantly better chance of retaining these customers than if they say or do nothing, which drives customers to begin a mortgage search on their own. For financial reasons, lenders may not wish to encourage customers to explore refinancing; however, by not proactively communicating, lenders increase the risk of losing these customers altogether.

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CUSTOMER-INITIATED SEARCH FOR PRIMARY MORTGAGE LOAN



Source: *J.D. Power and Associates Mortgage Origination Satisfaction Study*SM

An analysis of the factors that lead customers to consider and finally select a refinancing lender shows that the existing relationship between customers and their lender is the primary reason for an “autopilot” response to refinancing, while interest rates become a distant second.

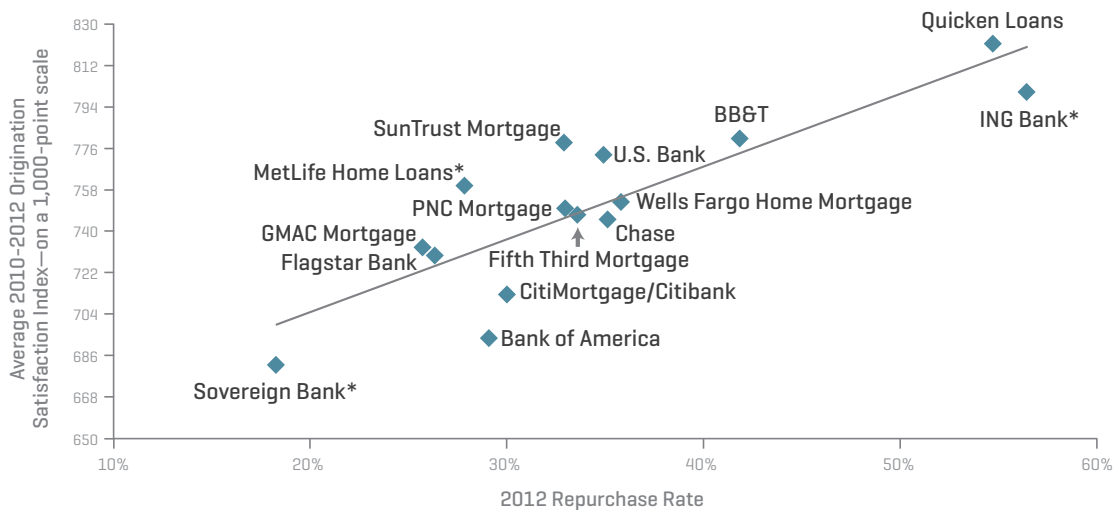
SOLUTION NO. 2:

Deliver a better origination experience, and customers will likely repurchase

In the mortgage business, repurchase behavior is a critical business driver. Ultimately, the final determinant of repurchase behavior is the overall customer experience during the loan origination process. When comparing the repurchase rates among lenders surveyed for the 2012 Primary Mortgage Origination Satisfaction Study in relation to their performance in the 2010-2012 studies, a distinct relationship between the past origination experiences customers have with their lender and their refinance decision becomes evident.



PAST OVERALL ORIGINATION EXPERIENCE AND REPURCHASE RATE



Notes: PHH Mortgage and Provident Funding Associates are excluded because of their price-focused approach;

* Denotes low sample size [n=30-99]; Lenders with insufficient sample size [n<30] are not shown.

Source: J.D. Power and Associates Mortgage Origination Satisfaction StudySM—2010 - 2012

Following are key opportunities for lenders to improve the customer loan origination experience:

- Remove uncertainty throughout the process and provide a continuous, consistent point of contact
- Clear communication—up-front explanation, ongoing status updates, and transparency regarding pricing and document requirements
- A tailored approach to different customer segments—e.g., first-time homebuyers or credit-challenged customers

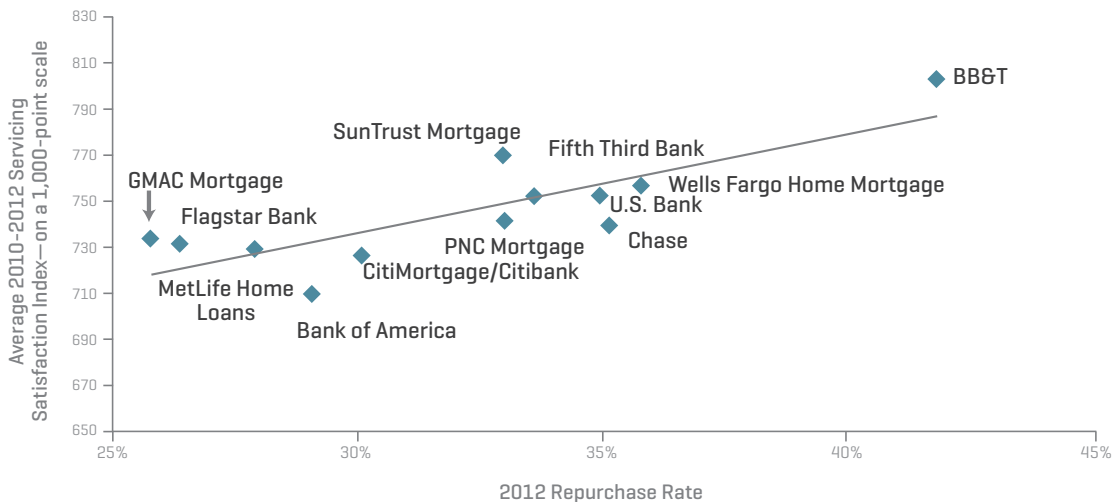
- Obtain all necessary documentation at the beginning of the loan process
- Establish a process to ensure that the documents requested are routed to the appropriate party when received in order to avoid asking customers for multiple copies
- Eliminate problems quickly, as the proportion of customers who say they “definitely will” consider refinancing with their current lender declines to 16% from 41% when they experience a problem

SOLUTION NO. 3:

Provide a trouble-free servicing experience, and customers are likely to repurchase

After the loan application is approved, ensuring customers are provided with billing and loan servicing information not only improves overall satisfaction with the mortgage origination experience, but also potentially sets up the beginning of a positive mortgage servicing experience, hence, the increased probability of repurchase. Additionally, the handling of customer contacts and problem prevention and resolution are also critical to establishing a positive customer experience, further increasing the probability of future purchases.

PAST OVERALL SERVICING EXPERIENCE AND REPURCHASE RATE



Notes: PHH Mortgage and Provident Funding Associates are excluded because of their price-focused approach; Lenders with insufficient sample size [n<30] are not shown.

Source: J.D. Power and Associates Mortgage Servicing Satisfaction StudySM—2010 – 2012

Following are recommendations designed to help improve the customer contact and problem resolution process:

- Lenders should tailor processes and provide loan representatives with additional training regarding how to address the questions and/or problems most frequently reported by customers. Tailoring processes and procedures to address the most common issues may aid in providing an efficient resolution process and improving overall satisfaction.

- Provide customers with the optimal contact resolution experience—resolve the issue in one contact and provide and meet a time frame. Lenders should ensure their representatives manage customer expectations and provide a time frame so that customers are continuously aware of the status of their issue when resolution in one contact is not possible.
- While having a single representative manage the problem resolution process is ideal, a centralized problem resolution model may also suffice as long as communication between representatives and customers is sufficiently frequent, consistent, and accurate.

THE BOTTOM LINE

Although the windfall of the refinance boom may be coming to an end, lenders that are communicating with their customers, taking the uncertainty out of the origination experience, and providing trouble-free servicing may look forward to continued profitable growth.



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