

Business Process Services

White Paper

Enhancing Customer Experience in the Mortgage Market

About the Author

Ramani Balakrishnan

Ramani Balakrishnan is a domain consultant in the Transformation Solutions Group (TSG) for Tata Consultancy Services' (TCS) Banking, Financial Services, and Insurance (BFSI) business unit. He is primarily responsible for transforming the way TCS delivers value to its global clients and leading innovation and thought leadership in the areas of client engagement and delivery.

He has 25 years of experience in IT, banking, and mortgage services, of which 18 were dedicated to the residential mortgages lending domain. Balakrishnan has an MBA in Finance from the School of Business, Rutgers University, New Jersey. He also has a postgraduate degree in physics.

Abstract

Most mortgage lenders and banks are focused on improving the experiences of their customers. However, several gaps prevent them from understanding and serving digitally savvy customers. The traditional product-centric business model adopted by lenders which focuses on new products or features to attract customers rather than personalized, customer-centric offerings could be one of them. Banks and lenders also continue to treat customer service as a function, and not a high value skill set that must be imbibed by every employee who interacts with the customer.

Unlike customer satisfaction, customer experience is much harder to measure. Customer satisfaction is in fact only a subset of customer experience, and is typically measured through customer services activities. It offers only a very myopic view of what customers really need. On the other hand, customer experience focuses on strengthening relationships across the customer lifecycle based on various parameters such as product features, channels, processes, people, and price.

Just like other service industries such as airlines and telecom, the banking industry needs to invest in building stronger customer relationships. This paper highlights the need for a heightened focus on customer experience in the mortgage industry. It also recommends a holistic customer experience program to address the changing business environment and customer dynamics.

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Moving beyond customer satisfaction scores

The mortgage industry works differently across the globe with respect to its structure, products, business models, funding methods, and stakeholders. However, customer experience remains a common area of interest, as banks and mortgage lenders try to differentiate themselves in a cluttered marketplace. Changing regulations designed to safeguard consumer interests are also forcing lenders to rethink their customer interaction and engagement strategies. In addition to tackling lower volumes and investor demands on loan quality, lenders must unearth opportunities to improve their operational processes and cater to the evolving needs of customers.

While organizations in retail or telecom industries have numerous opportunities to interact with customers and reverse bad experiences, mortgage lenders have only a few chances to make a lasting impression on the customer. Figure 1 shows the break-up of over 1,500,000 customer complaints received by the Consumer Financial Protection Bureau (CFPB) from June 2015 to June 2015.

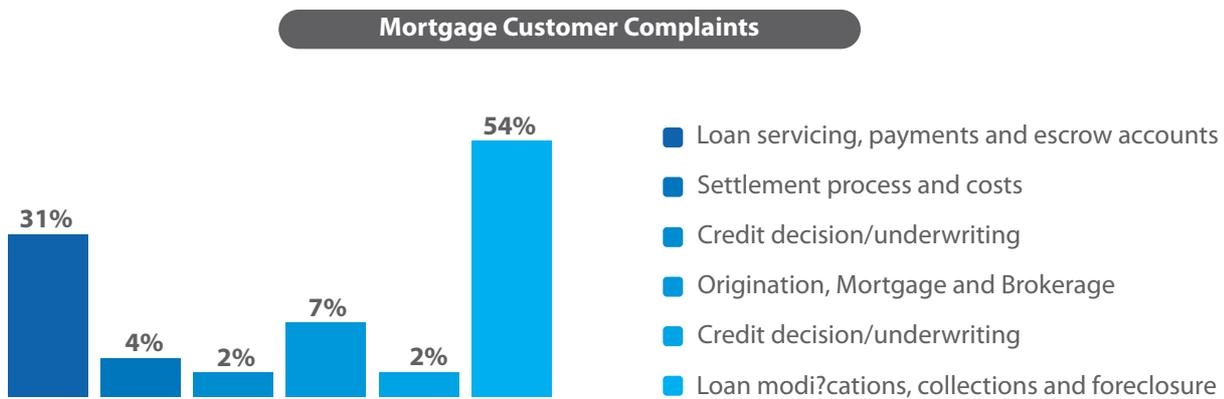


Figure 1: Customer complaints received by the CFPB from June 2012 to June 2015

Customer experience has a strong impact on the reputation of a company, and it could play a major role influencing prospective customers. This could be attributed to the fact that customers have become accustomed to the personalization and convenience offered by other service industries. The customer satisfaction scores derived from a simple survey or analysis of the complaints received can no longer be the only yardstick to measure how happy a customer really is. Mortgage lenders will have to therefore think beyond just enabling loan transactions to providing a simple, smooth, and seamless experience across the customer journey.

¹Consumer Complaint Database, Consumer Financial Protection Bureau, Accessed June 2015, <http://www.consumerfinance.gov/complaintdatabase/>

Evolution of customer experience in the mortgage industry

Over the years, mortgage lenders have evolved their approach to acquiring and retaining customers across several dimensions. They include:

Product and pricing: Initially, the banking industry only focused on offering diverse product features such as low interest rates, zero-closing costs, cash out refinancing, and deferred payments to improve the experience of their customers. Some lenders also introduced innovative products such as growing equity mortgages, interest rate linked with deposits, and option adjustable-rate mortgage (ARMs). However, many of these products, and their risk-based pricing approach, have been considered key contributors to the origination of sub-prime loans.

Channels and communications: In the next phase, lenders focused on keeping pace with the burgeoning Internet and the proliferation of mobile devices. They leveraged digital channels, such as mobility and tablet-based applications and self-service portals, to keep their customers happy. However, this was a technology-driven approach that focused primarily on generating sales, thereby leading to a below par customer experience.

People and processes: Today, it is no longer enough to have mobile-friendly versions of loan products. It is important to adopt a truly holistic customer experience strategy that focuses on building relationships, which is not just transactional in nature. This means listening to and understanding customers as well as driving continuous improvements across processes to engage current and prospective customers.



Figure 2: The evolution of customer experience in the mortgage industry

Three key pillars for creating exceptional customer experiences

Customer expectations are rising every day. Mortgage lenders who want to truly engage digital consumers, both emotionally and rationally, will have to build customer experience around three key customer expectations – transparency, ease of access, and relevance. These parameters help educate, engage, and empower customers, leading to more fulfilling and highly rewarding experiences. They also offer greater value to customers through targeted interventions and interactions. Let's look at the three parameters in greater detail.

Building trust through greater transparency

The process involved in securing a mortgage loan can be strenuous for both first-time and experienced homebuyers. These processes may vary across countries and even states in larger countries such as the U.S. In addition to complex regulations, there are multiple third parties involved in the process such as investors, mortgage insurers, appraisers, attorneys, and settlement agents. There are various processes within the lending organization itself, such as origination, processing, underwriting, and quality control. This can leave customers confused about the different processes and timelines.

It is the lender's responsibility to educate borrowers by providing all the necessary information readily such as a comparison of all lenders involved, accurate interest rates, mortgage-related fees, eligibility rules, and payments terms. They must also offer visibility into the timelines, real-time status of loans, and required documents. Such transparency helps build trust with customers in the long run.

Integrating cross channel experience for easy access to information

As discussed earlier, over a period of time, mortgage lenders and banks have moved from staff-intensive interactions with customers at their branches and customer service centers to digital engagements. While IVR, online chat rooms, and mobile applications are helping borrowers access information faster, the challenge lies in integrating the experience across these channels seamlessly.

The cross-channel experience must not only enable a borrower to get information on product and pricing but also apply for a product in any channel. A customer should be able to communicate through audio or video chat. Whether raising a service request, receiving alerts, or requesting a clarification, enabling borrowers to easily access the right information during the loan process improves the customer experience significantly.

Customizing product and service offerings for improved relevance

Every mortgage customer has unique needs and expectations based on various parameters such as demographics, lifecycle stage of the loan, lifestyle, and job profile. It is therefore necessary for lenders and banks to provide relevant and personalized products and services based on borrower expectations, challenges, and financial obligations. This also means making room for exceptions. Lenders must leverage the capabilities of emerging channels and technologies to harness better customer insights and design context-driven offerings that empower the borrower.

Critical elements of a holistic customer experience program

In many cases, banks and lenders implement point solutions to address specific issues that crop up in the course of a customer's journey. However, this creates a fragmented approach to enhancing customer experience, and rarely delivers the desired results in the long term. Before embarking on a transformational program, lenders need to understand and analyze the complete customer journey and identify the key touch points of interaction.

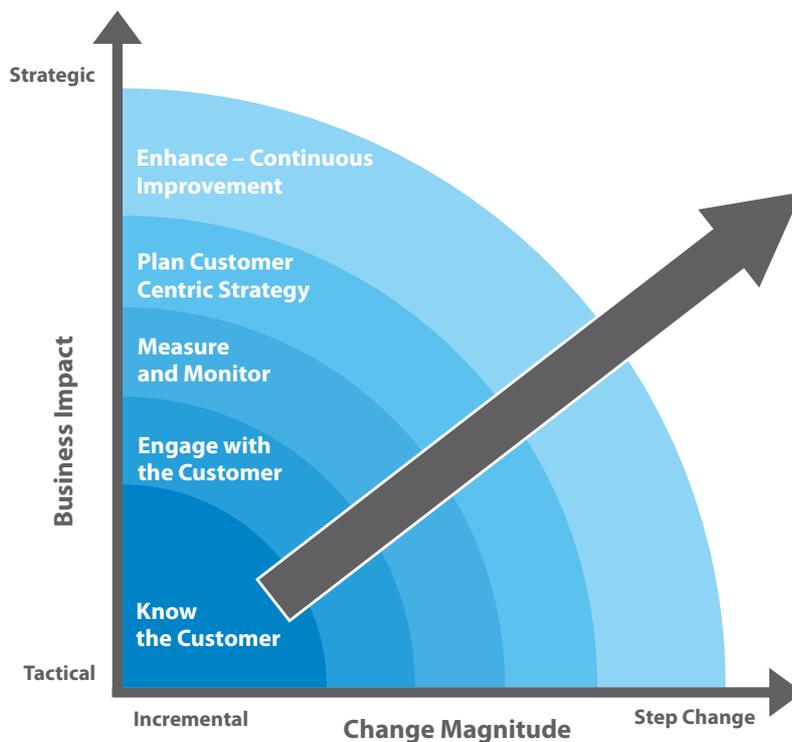


Figure 3: Key elements of a holistic customer experience program

As shown in figure 3, a transformative customer experience program combines both tactical and strategic measures. The first step is to understand customers and their unique needs, especially in the context of the digital revolution. Instead of identifying customers as loan or account numbers, lenders should develop personalized identities through customer analytics. Lenders can then regularly engage with customers through the most relevant channels and track their emotional and rational responses. This helps them create customer-centric strategies through social CRM and other platforms, and respond effectively to customer needs. Developing a methodology to measure and monitor customer responses against expectations across key touch points is another critical element of the program. Constantly reviewing the customer experience strategy on a periodic basis helps lenders keep pace with technological advancements and evolving customer needs.

In this section, we take a look at some of the supporting elements of a customer experience program.

Customer analytics – Unlocking customer preferences and behavioral patterns

During the mortgage lending process, lenders collect exhaustive data about customers such as salary, other sources of income, expenses, assets, as well as liabilities including credit cards and loans. Existing bank accounts also contain a wealth of information regarding spending patterns. However, much of this data is left unused once the loan is approved or declined. Leveraging customer analytics can unlock innumerable insights regarding customer preferences and behavior patterns, which can help lenders segment customers and prioritize focus areas. Analyzing this data against macro-economic factors throughout the loan cycle is also extremely beneficial. These could include changing interest rates or trends in the industry in which the customer is employed. Demographics of the local population in the area where the property is being purchased or currently occupied is another important factor to be considered.

Analytics can also be used to study the behavior of customers and their responses across different channels and create appropriate strategies to improve the depth and breadth of customer relationships.

Social media strategy – Building trust through stronger connections

Organizations in other service industries such as retail, airlines, and telecom utilize social media information to effectively understand and engage their customers. Social media can play a vital role in building trust and enhancing reputation, which are key factors customers take into consideration while choosing lenders. It also supports brand building by creating communities for regular engagement with borrowers aimed at establishing positive sentiments. Such communities can also bring together multiple stakeholders including borrowers, brokers, and builders to increase collaboration and provide personalized responses to distressed customers. Social CRM can act as a powerful listening tool, which allows the customer to connect with borrowers of similar profiles and backgrounds. While social media is vital to enhancing customer experience, lenders must be ready with strategies to mitigate possible risks.

Business process management – Ensuring greater visibility across the loan cycle

Mapping the customer journey against the moments of truths necessitates business process re-engineering. This starts with analyzing customer emotions during the different mortgage processes and not just during the later stages of the loan lifecycle. For instance, long reviews of submitted documents, delays in approval, and unforeseen changes in fees and charges could create confusion and frustration.

Through business process management (BPM) and intelligent workflows, it is possible to identify the required documents early on in the loan cycle and send alerts to the borrower proactively. BPM also helps customers track the status of loans and gain better visibility into other areas such as waiting time and next steps.

Complex event processing – Making processes simpler and more relevant

Most lenders use generic processes for all customers without understanding the uniqueness of each borrower's profile and situation. Complex event processing (CEP) ensures the relevance of processes for each customer or customer segment through analysis of historical patterns and dynamic sequences. By leveraging CEP platforms, lenders can understand the borrower better. They can anticipate the borrower's response through real-time event monitoring with effective noise filtering. CEP also helps lenders act according to business rules and composite events, enabling them to proactively implement customer experience enhancements without waiting for actual feedback from the borrower.

Mortgage loan approval is a complex event. However, many lenders still use standard forms or websites for loan applications. CEP allows the lender to implement a progressive approach that optimizes the number of questions and forms for each borrower. It also recommends the ideal product offering based on borrower responses.

Goal management – Empowering customers to manage their finances

With the help of personal finance services, lenders can address the unique needs of borrowers. For example, a U.S. based lender provides end-to-end services to borrowers right from helping them make a buy or rent decision, to identifying affordable homes, securing a loan and home insurance, and taking care of home improvements. By partnering with the customers across their home ownership journey, lenders can strengthen relationships, and thus augment revenues.

Adopting customer-centric strategies for a brighter future

Front- and back-office automation in mortgage companies can improve business efficiency and productivity significantly, but does not necessarily impact the customer experience. At the same time, investing in brand building and marketing campaigns are not the only means to building lasting customer relationships. As custodians of enormous volumes of customer data, lenders are perfectly positioned to transform the customer experience across every touch point in the customer's journey.

Therefore, mortgage lenders need to think beyond just transacting across the loan cycle. Redesigning the mortgage process around the customer's expectations of transparency, ease of access, and relevance can help lenders offer relationship-driven services to improve loyalty. This helps lenders differentiate themselves in a competitive market.

About TCS Business Process Services Unit

Enterprises seek to drive business growth and agility through innovation in an increasingly regulated, competitive, and global market. TCS helps clients achieve these goals by managing and executing their business operations effectively and efficiently.

TCS' Business Process Services (BPS) include core industry-specific processes, analytics and insights, and enterprise services such as finance and accounting, HR, and supply chain management. TCS creates value through its FORE™ simplification and transformation methodology, backed by its deep domain expertise, extensive technology experience, and TRAPEZE™ suite of solution accelerators and governance enablers. TCS complements its experience and expertise with innovative delivery models such as using robotic automation and providing Business Processes as a Service (BPaaS).

TCS' BPS unit has been positioned in the leaders' quadrant for various service lines by many leading analyst firms. With over four decades of global experience and a delivery footprint spanning six continents, TCS is one of the largest BPS providers today.

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(<http://www.tcs.com/bps>)

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