IBM Study 2016
Mortgages Pre-Approval Customer Experience

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IBM’s Study 2016: Mortgages Pre-Approval Customer Experience

• Summary
  • Findings from Customer Journey
    • Available House Budget
    • Request Pre-approval
    • Bank Decision
  • Call to Action

Appendix
  • Bank Profiles
The market hype around a ’9 minute’ mortgage drove our curiosity to gather first hand information about customer experience.

Customers who are in the market for a house are looking to gain pre-approval for a mortgage

Determine the time and effort it takes to receive a pre-approval commitment

Measure customers’ overall satisfaction with the mortgage pre-approval process

Set a benchmark for what constitutes a firm pre-approval

Understand the customer’s experience with each banks’ pre-approval process
The focus of our study is on pre-approval commitment which indicators show, leads to a high probability of a mortgage purchase – and revenue growth.

Customer Journey

Available house budget
Janet begins journey
“I’m excited to buy my first house! I’d really like to know how much money I can spend before I start looking.”

Request Pre-approval
Janet expects to provide personal information
“I’d like to have a commitment from the bank so I can be confident when I’m out house hunting.”

Bank decision
Janet hopes to receive decision quickly
“I hope I can get an answer easily and quickly!”
Customers reported that an easy, digital process and quick responses were important for a great experience. There is room to differentiate.

Did customers get a pre-approval commitment & how long did they wait?

How satisfied were customers with their mortgage experience?

Source: IBM Study Primary Research Mortgage Origination, August 2016
A pre-approved commitment leads to a high probability of a mortgage purchase – there is a balancing act to navigate between customer experience and bank risk

Balancing Act for Pre-Approvals
Bank Risk & Customer Experience

Highlighting the Mortgage Provider reported by customers as the best in category

- Significant variability exists among the mortgage providers for customer experience
- Chase and Rocket have achieved a balance although Rocket is delivering to a higher standard
- The rest are prioritizing one over the other – customer experience vs. bank risk

Customers Perceive Banks’ Priority Between Bank Risk & Customer Experience

Source: IBM Study Primary Research Mortgage Origination, August 2016
Customers placed importance on influencers impacting satisfaction; these results show mortgage officers offsetting shortcomings in digital capabilities.

Experiences of Customers

- Customer preference to interact digitally did not always meet expectations.
- After contact information is entered, several banks were quick to connect with customer.
- Difficulties with website included lack of clarity for pre-approvals and being time consuming.
- For the few banks offering digital pre-approvals, the process was quick.
- There were inconsistencies among mortgage officers within the same bank.
- The mortgage officers were knowledgeable at all the banks.
- For some, customers had to provide information more than once and process was time consuming.
- Customer feel it is important to have a secure way to upload documents; in most cases e-mail was the method and this was not acceptable.
- Several customers are waiting for a response.
- For some banks, customers received a quick commitment.
Call to Action
– Find ways to create a strong connection with customers during pre-approval

▶ Offer the pre-approval option and market it to customers
▶ Engage with customers early and personalize their offerings
▶ Make the pre-approval application intuitive and easy to use, while keeping the process quick
▶ Ask for information from the customer once – then reuse
▶ Most providers complete pre-approvals over the phone – offer a digital process
▶ Documentation uploads need to be easy to use and more importantly secure – move away from emailing important documents
▶ Give a timely commitment – customers expect a quick decision
▶ Deepen the customer relationship during phone conversations
▶ Cross-sell other relevant products and offerings
Mortgages
IBM’s Study of Pre-Approval Customer Experience

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Appendix
• Bank Profiles
Meet Janet...

She’s technology savvy and she frequently uses the Internet for different purposes. She has a good income and has decided to invest in purchasing her first home.

### Research
Janet is planning to purchase her first home. She has no idea where to start and a friend refers her to Lending Tree. Janet has never heard of the website, but decides to give it a try.

Once she opens the site she sees “Compare mortgage offers free!” She enters information about the type of property she’s looking into, her down payment amount, and her estimated credit score. Janet is pleased the site returns her multiple options for a mortgage provider.

Janet reads all the mortgage material on the site and uses the personalized mortgage calculator. She’s instantly satisfied that her rate matches the one on Lending tree, and decides to create an account on the website.

### Request pre-approval
Janet enters information about the area she is looking, her social security number, annual income, employment information, and bank accounting information. She moves through the application quickly and hits submit.

Within the hour Janet receives her pre-approval email. She’s ecstatic she was approved so quickly and immediately starts looking at pictures of houses on her new real-estate app.

Over the next 7 weeks Janet searches potential homes. She finds a house and begins preparation for closing. She remembers her conversation with Marc and decides to go back to the same bank. She schedules an appointment to sign final papers.

### Available house budget
Janet has an area she loves but no home in mind, so wants to understand her budget before she starts to look. After researching each option, Janet decides on Capital B Bank, the same bank her parents have a mortgage with.

6 minutes later, Marc the loan officer calls and congratulates Janet on beginning the home buying process. He explains that if she has any questions she can reach out to him and that she will see a pre-approval letter in her email that same day.

### Bank decision
Janet is pleased to learn her new loan officer, Lauren, is honoring her pre-approved rate from 7 weeks ago, as long as she provides copies of W-2’s, pay stubs, bank statements, and the accepted offer on the house.

The day after closing Janet stops at an ATM to check her account balance. She confirms that her first home payment has been processed. Later that same day Janet receives an email congratulating her on her new home ownership!

### Final mortgage
Before the appointment, Janet calls the bank because she’s not sure about what documents she needs. It’s 11 PM and she doesn’t get any answer, but the phone call is switched to the contact center which is able to handle Janet’s questions and needs.

A year passes and Janet changes office locations across town for her job. She realizes she should update her contact info for Bank of America. Janet logs back onto her account and goes to edit her profile. She adds her new location and signs off.
Mortgage Pre-approval
Mystery Shop Table of Contents

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Servicing
A year passes and Janet changes office locations across town for her job. She realizes she should update her contact info for Bank of America. Janet logs back onto her account and goes to edit her profile. She adds her new location and signs off.
Customers were not clear on the differences in commitment between pre-qualified and pre-approval

After understanding the difference, the majority of customers place high importance on a pre-approval commitment.

The satisfaction levels point to a high correlation between making a timely commitment at this early stage and the stickiness of a customer to ultimately purchase the mortgage.

I found the pre-qualification application very easy to find, but I was not able to find a pre-approval application online at all. I had to call to speak with a bank representative. I asked about a pre-approval and he assured me that it was the same thing as a pre-qualification.” – Customer comment

Source: IBM Study Primary Research Mortgage Origination, August 2016
Customers are ambivalent about a mortgage from their primary bank, however believe their primary bank should be proactive & personalize the offerings.

Ambivalence
Importance of using primary bank to get a mortgage

Engage Early
Importance of being engaged with customer early in the home-buying process

Most banks have informative websites on the loan process prior to initiating requests

<table>
<thead>
<tr>
<th>Information Methods</th>
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<tr>
<td>Guides on the loan process</td>
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<td>Interactive educational material</td>
</tr>
<tr>
<td>Informational videos</td>
</tr>
<tr>
<td>Mortgage calculators</td>
</tr>
</tbody>
</table>

Table stakes … not differentiation

Source: IBM Study Primary Research Mortgage Origination, August 2016
Customers believe it is important to shop around and stated they are more prefers a bank who understands them.

Customers showed they’re more inclined to go to with a provider who has digital capabilities.

How much more likely a customer will work with a provider if there is a digital process.

Customers have expectations:
- Know me!
- Keep me informed!
- Protect me!
- Make it easy!
- Make it affordable!

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Bank decision
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Janet enters information about the area she is looking, her social security number, annual income, employment information, and bank accounting information. She moves through the application quickly and hits submit.

Final mortgage
6 minutes later, Marc the loan officer calls and congratulates Janet on beginning the home buying process. He explains that if she has any questions she can reach out to him and that she will see a pre-approval letter in her email that same day.

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Servicing
A year passes and Janet changes office locations across town for her job. She realizes she should update her contact info for Bank of America. Janet logs back onto her account and goes to edit her profile. She adds her new location and signs off.
Pre-approvals are an important moment of truth that increase loyalty for the customer to come back when they are ready to buy a mortgage.

**Pre-approval commitments** help customers feel confident in their house hunting journey – within 6 hours of the request, 25% were provided with a pre-approval across 5 of the banks and 15% were denied.

Customers given the choice, will go with the bank who meet their expectations.

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To request a pre-approval there are 3 steps in the process:

1. Submit online application
2. Speak with mortgage officer
3. Upload documentation

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A leading mortgages provider cites that **90% of pre-approvals convert to an actual mortgage purchase**.
The first step of the pre-approval process begins online with providing contact information, and in some cases property & financial information.

Customer reported issues:
- Difficulty navigating website
- Website technical issues
- Loan officer never reaching out
- Uncertainty if the application was for pre-approval or pre-qualification

<table>
<thead>
<tr>
<th>Total customers</th>
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<tbody>
<tr>
<td>BOA</td>
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<td>Chase</td>
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<tr>
<td>SoFi</td>
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<td>U.S.</td>
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- Contact information
- Social security number
- Annual income
- Length of employment
- Bank account information
- Zip code of new home area
- Called loan officer directly
- Provided contact information
- Stated interest in a pre-approval specifically
Many banks do not enable completing the whole pre-approval process online, and require a mortgage officer interaction.

Most pre-approval applications were completed over the phone...

- Repetition of information
- Human error
- Long wait times
- Mortgage officer knowledge
- Customer relationship building

The phone process of individual mortgage officers varies within each bank… resulting in a disorganized process.

Rocket mortgage officers consistently spent longer times on the phone with customers, up to 3 hours for one customers. Tactic to deepen the bond with customers?

The customers felt the knowledge of the mortgage officers was good across all banks; reflects sound hiring and training practices among all providers.
During an optional final step, customers attach documents to verify their information—however only half of the customers were asked to provide documentation.

Within the same bank, some customers needed to provide documents while others did not.

When the customer returns for the final approval of a mortgage and goes even farther down the adjudication process... how much of the same information will they need to repeat?

28% of customers who provided documentation, had to repeat information...

45% uploaded documents

27.8% repeated info

Source: IBM Study Primary Research Mortgage Origination, August 2016
Customers consistently reported issues with the documentation collection portion of the pre-approval process.

1. Savvy customers expect secure ways to provide information and were not confident in using email to deliver documentation.

2. Customers desire a quick and easy process for document uploads.

3. Customers want to avoid repeated requests for documents.

Customer expectations are changing. Individuals now want simplicity, speed and convenience when shopping for a mortgage.

Source: IBM Study Primary Research Mortgage Origination, August 2016
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Banks must create a equilibrium between the priorities of a positive customer experience and the bank risk

**Balancing** the scales towards a **sound pre-approval** process

**Bank Risk**
- Acquire information
- Verify quality of data
- Adjudicate for risk decision

**Customer Experience**
- Ease of application
- Quick completing process
- Timely decision process
A balance of priorities can drive a positive customer experiences with managed bank risk … instead of prioritizing one over the other…

Customers Perceive Impact of Banks’ Priorities during Pre-Approval Process

<table>
<thead>
<tr>
<th>Bank</th>
<th>Customer Experience</th>
<th>Bank Risk</th>
<th>Bank Total</th>
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<tbody>
<tr>
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<td><img src="image1" alt="" /></td>
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<td>Chase</td>
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<td><img src="image5" alt="" /></td>
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<tr>
<td>Citi</td>
<td><img src="image7" alt="" /></td>
<td><img src="image8" alt="" /></td>
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<tr>
<td>Flagstar</td>
<td><img src="image10" alt="" /></td>
<td><img src="image11" alt="" /></td>
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<tr>
<td>PNC</td>
<td><img src="image13" alt="" /></td>
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<tr>
<td>Rocket</td>
<td><img src="image16" alt="" /></td>
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<tr>
<td>SoFi</td>
<td><img src="image19" alt="" /></td>
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<td>US Bank</td>
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<tr>
<td>All Banks</td>
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- Banks exhibit high variability on customer experience side
- All banks on par for ease of pre-approval application
- Flagstar, PNC, and SoFi place higher priority on adjudication side
- Citi lagging on acquiring information and adjudication

Source: IBM Study Primary Research Mortgage Origination, August 2016
Customers expect an approval that same day, but lengthy underwriting procedures push pre-approval decisions into a few days time.

Bank’s time to reach a decision

While some bank’s time to reach a decision was within 1 hour… other customers received a decision after a few days.

Longer approval times suggest that underwriting process was invoked.

Providers need to establish a balance between customer experience and bank risk appetite.
Customers are dissatisfied with current offerings, leaving room for providers to improve the mortgage process.

With the exception of 2 out of the 8 providers, the overall satisfaction with the experience was mediocre.

Rocket had the best ratio of the most satisfaction indicators and the least dissatisfaction indicators.

All other providers were on par with one another.

### Satisfiers and dissatisfiers matrix based on reactions of the respondents

<table>
<thead>
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<th>Dissatisfiers</th>
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Source: IBM Study Primary Research Mortgage Origination, August 2016
There is little evidence of cross-selling during consumer interactions for a mortgage

Total customers

92.5% customers did not report cross-selling

Providers are not cross-selling

Rocket and U.S. Bank were reportedly the only firms to make a single cross-sell attempt – they did so with a relevant offer

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• Call to Action

Appendix

• Bank Profiles
Today’s customer expect an easy pre-approval option available to them, providers must meet these customer demands.

87.5% of customers feel it is important to get a personal pre-approved rate.

Only 65% received a decision from the bank.

leaving 22.5% of customers pre-approval needs unmet.
Bank of America customer pre-approval experience

- I called the number on the website for mortgages, and talked with two people. I had to repeat information over the phone I already submitted during the online pre-qualification.

- Over the phone I spent about 15 minutes answering questions about income, employment, assets, purchase information etc. I was asked to fax or mail in my documents for pre-approval.

- I asked about a pre-approval but the mortgage officer assured me that a pre-approval was the same thing as a pre-qualification.

Average time to reach decision

12.3 hours

Source: IBM Study Primary Research Mortgage Origination, August 2016
Chase customer pre-approval experience

- I filled out the online pre-qualification application. 48 hours passed without hearing from anyone.
- When I asked for a pre-approval I was told that I need a specific address chosen, and that I'd be waiting 1-2 weeks to obtain approval notification, because pre-approvals were not a high priority.
- I was sent a pre-qualification letter that stated what I needed to send in order to be pre-approved. I was required to send documents to the bank in a PDF file format, then got a pre-approval letter.

Average time to reach decision

8.4 hours

Source: IBM Study Primary Research Mortgage Origination, August 2016
Citi customer pre-approval experience

- I went on line to Citi.com and filled out the paperwork to buy a new home. After submitting it, within minutes I received a call back.

- On the phone I spent about 15 minutes answering questions about income, employment, assets, and purchase information. I provided similar information online for the pre-qualification.

- I asked for the pre-approval online but was told that wasn't an option. I had to go about the process over the phone.

Average time to reach decision

Source: IBM Study Primary Research Mortgage Origination, August 2016
Flagstar customer pre-approval experience

- I started the application online, I stated I wanted to get pre-approved for a purchase. Then a comment-box came up that stated a mortgage officer would contact me shortly.

- The mortgage officer was very thorough and at the end of the 45 minute call he said that he would need documents sent to him when I chose a specific property to purchase.

- The mortgage officer reviewed my application and asked me to scan and email him my assets and last 2 years’ of tax returns. He said that it would take at least five business days for the underwriting department to process the loan.

Average time to reach decision

4.5 days

Source: IBM Study Primary Research Mortgage Origination, August 2016
PNC customer pre-approval experience

- I called to get pre-approved, but was told I needed to pre-qualify first.
- The online application only asked for my name and phone number, and then the application module said that someone would call me within 2 days. No one called me during those two days.
- The mortgage officer reviewed the documents necessary for pre-approval and sent me a pre-qualification letter via email. He said that a pre-approval would come after they review the uploaded documents.

Average time to reach decision

Source: IBM Study Primary Research Mortgage Origination, August 2016
Rocket Mortgage customer pre-approval experience

- The application on-line said that it was experiencing technical difficulty and to call an the help number.
- Rocket’s website was extremely user friendly and clearly stated I would receive a pre-approval. I answered each question and gave my financial figures and social security number during the application process. I had a pre-approval letter in my email inbox within 25 minutes.
- After entering my information online, the website initiated a chat with a customer service representation. She informed me that since I was moving from one state to another, I would need to work with a mortgage officer.

Average time to reach decision

7.3 hours

Source: IBM Study Primary Research Mortgage Origination, August 2016
SoFi customer pre-approval experience

- I filled out the online pre-approval application with no trouble at all, and it took about half an hour. The website was attractive and efficient; it showed me exactly what to do each step of the way.
- After entering my information online, a pop up screen confirmed I was pre-qualified for the mortgage and then provided a place to upload the necessary documents to get pre-approved.
- After scanning documents, the next day I received a call from a mortgage loan, he said my documents did not upload; so, I had to re-upload them.

Average time to reach decision

Source: IBM Study Primary Research Mortgage Origination, August 2016
U.S. Bank customer pre-approval experience

- The mortgage process was not clearly explained on the web site. There was no link nor instructions on how to proceed online to start the pre-approval process. I finally gave up trying to find a way to do it online, and chose to call the bank.

- I completed the pre-qualification application online. The website asked me if I would like to be pre-approved for a mortgage. I was called by a mortgage officer four minutes later.

- I asked for a firm pre-approval later, but the mortgage officer explained that a pre-qualification was all that was ever needed before the purchase.

Average time to reach decision

10.4 hours

Source: IBM Study Primary Research Mortgage Origination, August 2016