

KEEP YOUR FRIENDS CLOSE — *AND YOUR CUSTOMERS CLOSER*

The vital importance of customer retention in the mortgage industry



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CONTENTS

(click to jump to a chapter)

- 3 Introduction
- 4 Break old habits and break up with your legacy systems
- 6 Build a better relationship with your customer data
- 9 Mind the details with loan document tracking
- 12 Leverage the ecosystem to deliver superior customer experience
- 14 Conclusion



Introduction

For lenders looking to build the best customer experience possible, customer retention is a challenge financial institutions must overcome.

Part of the challenge? Customers control the lending process, from mortgage origination through servicing. Keeping customers engaged — and willing to work with you again in the future — is becoming more and more difficult. Fewer than one in five homeowners stuck with their mortgage service provider after refinancing their loan in 2019, according to Black Knight's Mortgage Monitor¹, a 13-year low.

Some of that shift comes from new homeowner priorities. No longer looking for a lower rate or better terms, instead they want to access home equity. And customers are willing to increase their interest rate to pull money out of that loan.

Competition also plays a part. As the industry rapidly evolves and more and more lenders near the end of their digital transformation journey, borrowers — both new and present — have more options today than ever before. That might be why most lenders — 93 percent² — lose customers when they decide to refinance or mortgage a new home.

That loss is expensive. New customers can cost five times more to acquire than retaining a current customer², and more than 65 percent of an organization's revenue comes through retention, according to Gartner³.

“In industry after industry, the high cost of acquiring customers renders many customer relationships unprofitable during their early years. Only in later years, when the cost of serving loyal customers falls and the volume of their purchases rises, do relationships generate big returns,” reports Harvard Business School's Frederick F. Reichheld and Phil Schefter. “The bottom line: Increasing customer retention rates by 5 percent increases profits by 25 percent to 95 percent.”⁴

So how do you shift gears and add customer retention to your growing list of priorities? Tackle these five elements and customer retention should take care of itself:

- Optimize your IT stack by breaking up with your legacy systems
- Build a better relationship with your customer data
- Get granular with loan document tracking
- Leverage the ecosystem to get a complete view of your customer
- Don't forget analog transformation as well

BREAK OLD HABITS AND BREAK UP WITH YOUR LEGACY SYSTEMS



**\$136.8
billion**

The money lost to U.S. companies each year due to avoidable consumer switching⁵

The decision to sunset older technology is the first step into a larger, more modern world. One in which your customers are already living. It also offers the opportunity to address maintenance issues, which grow imperceptibly over time.

Legacy systems, whether they are core lending systems or aging document management solutions, can't effectively manage critical related content — from documents and forms to notes and emails. This leaves employees without easy access to all the information required to make quick decisions, manage processes and provide superior service to your customers.

New technology helps improve processes and makes it easier to make confident decisions fast, which allows for greater agility. Lenders will also find that newer technology is easier to implement, administer and use.

The right content services platform, for example, complements your core, providing employees with a complete view of the information they need, when and where they need it. That instant access to answers is what customers want and expect. Pay close attention and you'll see how it affects both customer experience and customer retention.

As you investigate content services options, make sure the platform:

- **Centralizes all content:** Core platforms provide only a basic content repository with limited capabilities. A content services platform with a robust enterprise information management (EIM) system delivers a full range of enterprise-class, secure document management capabilities on a single platform, seamlessly integrated with your core.
- **Automates supporting processes:** While your core handles certain processes, there are other processes that are either very expensive to implement or that your system wasn't designed to handle, such as loan document tracking, tracking fraud investigations, and records management. A solid content services platform allows you to quickly and easily extend existing processes and create new ones.
- **Consolidates disconnected data:** While your core manages specific business data, other related tasks, activities, conversations and other information are managed outside these systems — via email inboxes, spreadsheets, antiquated databases and legacy applications. Consolidate scattered data, tasks and activities living outside your core into a single location where they are connected and tracked.

What is content services?

Content services are a set of services and microservices, embodied either as an integrated product suite or as separate applications that share common APIs and repositories, to exploit diverse content types and to serve multiple constituencies and numerous use cases across an organization, as defined by Gartner. Content management and document management are included within those set of services.

BUILD A BETTER RELATIONSHIP WITH YOUR CUSTOMER DATA

63%

Percentage of U.S. consumers who will share more personal information if you provide a great customer experience⁶





Customer experience is quickly becoming the only competitive differentiator that matters, not only in lending, but in every industry. Keeping the customer engaged is also all about customer experience. It ties back to consumers controlling the lending experience.

So what do they want? Two things, according to Forrester, as reported in a survey commissioned by Equifax⁵: utility and choice.

Regarding utility, Forrester says these consumers want to complete a task, like refinancing a mortgage or applying for a new loan. They shop around for the best deal and experience. They're looking for simplicity and ease-of-use, and if they enjoy the experience, they often stick with the brand for other services.

But they are also willing to engage with other lenders for other products, or even leave a lender for another if they find a better customer experience. More than 40 percent of consumers, according to the survey, feel more secure if their monetary obligations are spread between servicers.

This is both a challenge and an opportunity for lenders. Provide the right customer experience and you could lure consumers from competitors or keep current customers engaged. Just remember. Your competition is doing the same thing.

A robust content services platform can give you a head start. Remember, content services platform providers offer integrated sets of content-related services, microservices, repositories and tools that support common content use cases. Common services available with these platforms include document management, search, indexing, categorization, capture, version control, workflow, records management, content analytics and more.

This all helps you build the foundation for a 360-degree view of your customer. This complete view provides valuable insights into what sales can up-sell and cross-sell to customers, what campaigns you can run, and how to best track them.

It also sets you up for further transformation by creating the groundwork needed to leverage dynamic digital business tools like robotic process automation (RPA) and intelligent automation (IA).

RPA is the deployment of software robots to reduce significantly the time, resources and errors associated with tasks that require workers to “swivel” in their chairs when changing focus between screens, systems and third party information sources, like websites. IA as the combination of automation and artificial intelligence. At its most basic, IA takes a “doing” role, focusing on automating tasks. At its most complex, IA takes a “thinking” role, focusing on data-driven work that requires deduction and analysis.

IA technology is already changing the way institutions and customers interact. Financial institutions are applying RPA to processes in which employees do repetitive, relatively simple tasks that don’t require analysis to complete. They’re also leveraging innovative advances in chatbot, analystbot and compliancebot technology.

And it’s having an impact. Chatbot technology will deliver \$11 billion in annual cost savings for financial organizations by 2023, according to a Juniper Research report.

MIND THE DETAILS WITH LOAN DOCUMENT TRACKING

80%

Percentage of U.S. consumers who consider speed, convenience, knowledgeable help and friendly service as the most important components of customer experience.⁷

A lot may happen in the middle, but it's safe to say customer retention in the lending industry begins and ends with application speed and access. For example, where can a consumer apply for a mortgage loan and how quickly — and painlessly — will that loan close? And is refinancing just as quick and painless?

Most potential buyers, 61 percent, according to the second annual Ellie Mae Borrower Insights Survey⁸, want to apply for a mortgage online completely. More than 70 percent of Millennials do for all or some of their application. With slightly fewer Gen Xers (55 percent) and Boomers (43 percent) doing the same.

More than that, borrowers want the process to move smoothly and quickly, even if they know it might not. The amount of paperwork required to apply for a mortgage puts off many consumers, especially in the last decade or so, when the housing crisis changed the rules regarding what lenders require to close a loan.

That documentation — W2s, tax returns, paycheck stubs and more — can become enough of a frustration that some consumers will back out of the process altogether. Add to that lost or missing documents, extending the approval and closing timeline, and potential borrowers might abandon the process for a more agile company.

Lenders who optimize or replace legacy systems and work toward developing a robust platform ecosystem can offer borrowers the customer experience they hope for. One that will keep them loyal to the organization for years to come.



Employing a loan document tracking solution does a couple of things. First, it gives customers and prospects the speed and access they expect. Second, it can accelerate the loan lifecycle and give you a complete view of the application process. The right solution tracks loan data, documents and exceptions for multiple borrowers and multiple loans by gathering and sorting all loan collateral, correspondence and borrower information.

It then reports on any captured data element, including collateral type, entity name, expirations, exceptions, document types, items updated throughout the loan process, collateral on closed loans, pipeline visibility and correspondence.

The right process also helps ensure compliance throughout the loan's lifecycle, identifying expiring documents and informing loan officers of what new documentation needs collecting, initiating retention following payoff. You avoid fines and penalties – keeping your organization's reputation intact.

“Every loan has a base set of documents needed to securitize the transaction. Tracking those documents throughout the life of the loan is vital. The [loan document tracking] solution's approach was innovative. A completely different way of looking at the problem.”

Jon Hinsman
Records Department Manager
First National Bank of America

LEVERAGE THE ECOSYSTEM TO DELIVER SUPERIOR CUSTOMER EXPERIENCE

71%

Financial services organizations that use customer information, including big data and analytics, to develop an advantage over the competition⁹.





By embracing digital transformation — replacing or optimizing legacy systems, adopting a robust content services platform, building innovative solutions that expand the customer experience — you're establishing a technology ecosystem that will help you acquire and retain good customers.

With that ecosystem in place, you can start leveraging valuable customer data you already have. Through that, you may come to better understand the needs of your customers and discover when to make the right product offer at the right time.

Remember, retaining customers today isn't about offering an attractive rate. Customers are more apt to leave a lender because they're making a housing change. The typical homeowner makes a change every six to nine years. Lenders with more relevant messaging and stronger engagement are luring those customers away².

Superior customer experience leads to stronger customer retention. Turning information into a sustainable relationship is the real trick. Lenders must learn to do more than transform data into action. They need to humanize it. Make it real for the customer. This leads to a more personalized customer experience. The kind of experience customers crave.

It also means merging your digital transformation efforts with face-to-face, brick-and-mortar strategies, as well. While prospects and customers are likely to research lenders online, eventually they want to talk to a real person. Someone who understands their wants and needs. If they are already your customer, there is some expectation that you will already understand their wants and needs and will have recommendations on how they can achieve their goals.

Conclusion

Experts believe customer experience will be the driving factor differentiating lenders from their competitors. Maybe more than price point and product offerings – and as soon as right now. So providing the best customer experience possible should be the goal of every digital lender. Customer retention efforts demand it.

To retain those customers means building a relationship with the borrower, understanding how and why they want to do business and having the flexibility and adaptability to make that happen. The right digital transformation plan can help make that a reality.

Remember, customer experience is nothing more than the feeling a customer has about you and your organization. It comes from the relationship you have with your customer, and you should treat that relationship like any other. Understand that relationships are built mostly on care, trust, comfort and joy.

In other words, remember that your customers only want to connect with you. They want to know that you are there for them and have their best interests in mind. Each customer. Individually.

Once you master that, you'll have customers for life.

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Learn more at [Hyland.com/FinancialServices](https://www.hyland.com/FinancialServices)

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