

# How to Improve Customer Service to Stand Out from the Competition

By Susan Graham  
Financial Industry Computer Systems Inc. (FICS)

Today’s credit union mortgage lenders encounter stiff competition. When asked to identify industry challenges they face, many credit union leaders mentioned competition from other credit unions, banks and non-banks such as Quicken Loans.<sup>1</sup> Indeed, in 2017, non-bank financial institutions originated 51% of all new U.S. mortgages.<sup>2</sup>

How can credit unions set themselves apart from the bank and non-bank behemoth lenders? Credit union staff can focus on one of the things they do best: provide personalized member service.

According to John Cabell, Financial Services Practice Lead at J.D. Power, “The mortgage marketplace is changing rapidly as traditional players and new digital-native entrants ramp up their digital and mobile offerings.

“While improved digital offerings are helping mortgage originators build customer satisfaction, it is important to find the right balance between digital, self-service offerings and personal interaction with a representative,” Cabell continued. “Technology alone is not a magic bullet in this market; the key is knowing where to leverage it and where to layer in more traditional forms of one-on-one support.”<sup>3</sup>

Here are a few strategies to help credit unions improve member service:

### Provide a fast, efficient digital loan application process.

In today’s digital age, borrowers—especially Millennials—expect the mortgage process to be quick, easy, and transparent. Accordingly, mobile or



online services are important to borrowers when obtaining a mortgage or making mortgage payments.

In a recent J.D. Power survey of homebuyers, 43% applied for mortgages digitally in 2017, up from 28% in 2016.<sup>4</sup> And a 2018 J.D. Power survey of loan origination customers showed an increase in borrower satisfaction (from 2017) is due in part to greater use of digital and mobile channels.

On average, borrowers use three channels during the mortgage process, including (most commonly) their phone (72% percent of respondents), website (69%) and email (58%).

Credit union members should be able to apply for their mortgage online, attaching supporting documentation to their application. The best loan origination software and mobile-responsive web applications also provide timely status updates and allow borrowers to view their initial disclosures online.

### **Retain Servicing In-house.**

Leading-edge mortgage servicing software that integrates with the loan origination system (LOS) and core system allows credit union lenders to sell loans to the Government Sponsored Enterprises (GSEs) while retaining servicing.

In-house servicing generates service fee income and provides cross-selling opportunities. It also allows credit unions to provide better, more personalized customer service.

When servicing is outsourced, the lender has no control over the quality of the customer service provided by the third party.

In most cases, face-to-face interactions between borrowers and servicers are impossible because there are no brick-and-mortar locations nearby. Other servicing companies may treat the borrower as just one of many “accounts” instead of providing personalized service.

### **Automate Mortgage Servicing.**

Automation is essential for

efficient servicing. According to Craig Martin, mortgage practice lead with J.D. Power and Associates, “While the customer experience is an important thing, it’s not the most important thing. The most important thing is how to deliver service more efficiently, which in turn will drive customer satisfaction.”<sup>5</sup>

Servicers can deliver these services more efficiently by automating payment processing, escrow administration, investor reporting and other servicing tasks with leading-edge mortgage servicing software and APIs that allow scheduling of recurring tasks. This gives them more time to respond promptly to unique member needs.

### **Go paperless.**

Use loan origination software, mortgage servicing software and web applications to implement paperless origination and servicing.

A paperless office is one important component of going green. Being eco-friendly is important to satisfy younger borrowers, many of whom are concerned about the environment. According to a survey of 1,000 Millennials, 70% consider a company’s environmental practices when deciding whether to purchase its products.<sup>6</sup>

According to one report, Gen Z individuals consider the environment the second most important issue today.<sup>7</sup> To attract these younger borrowers, now is the time to reduce your institution’s environmental impact.

### **Encourage the use of mobile technology.**

According to a 2018 J.D. Power survey about mortgage servicer satisfaction, mobile customers are more satisfied and more likely to be mortgage company brand promoters than non-mobile users. This finding likely applies to credit



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union members as well.

The survey found that only 20% of mortgage customers use mobile technology, which is why it is important to engage your borrowers and promote use. And only 44% of servicing customers use their mortgage servicer’s website.

Increasing the use of mobile-responsive web applications may very well increase your borrowers’ satisfaction.

### **Offer multiple and convenient payment options.**

Mortgage servicers should allow members to pay in several ways: online, by phone or mail, and in-person. Many members may prefer the convenience of making online payments via online portals and web applications.

### **Use account alerts to reach customers.**

Account alerts are an underutilized way to provide exceptional customer service and promote member satisfaction. Account alerts can also be used to encourage borrowers to adopt and be more active on web applications.

According to the 2018 J.D. Power survey, receiving account alerts via text message, secure messages on the servicer’s website or email was associated with high customer satisfaction. Unfortunately, 50% of survey respondents said their servicer either does not have account alerts or they are unaware the service is available.

### **Offer personalized customer service.**

In one mortgage origination satisfaction survey, only 3% of respondents relied exclusively on digital self-service channels during the loan origination process. Customer satisfaction was highest for borrowers who spoke with their lender in person or by phone (instead of just using self-service tools) when applying for a mortgage.

Personal contact with lenders is most

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**J.D. POWERS' CABELL  
TO SPEAK AT ACUMA  
ANNUAL CONFERENCE**

ACUMA members have an opportunity this fall to see one of the sources quoted in the accompanying article from FICS on customer service.

John Cabell, the Director, Wealth and Lending Intelligence for J.D. Power and Associates, will be speaking at the ACUMA Annual Conference, September 22-25, 2019, at the Gaylord Resort and Convention Center near Washington, D.C.



John Cabell

Cabell's presentation, "Dazzling the Mortgage Customer," will examine key consumer insights and trends in a dynamic financial services marketplace, best practices that successful mortgage lenders have adopted, and ingredients of the "secret" sauce that drives a loyal customer following.

Cabell draws his insights and examples from his years of experience in consumer lending customer work, data intelligence from J.D. Power studies and world class analysis from a leading team of analysts and statisticians.

In his role, Cabell is responsible for advancing J.D. Power's market leadership by providing customer-focused advisory and intelligence. Specifically, he works with top-tier lending clients in the United States and Canada to advance customer experience analytics and strategies for a variety of lending products and services.

Interestingly, another J.D. Power executive, Craig Martin, also quoted in the FICS article, has spoken at a past ACUMA Conference.

Susan Graham is President and Chief Operating Officer of Financial Industry Computer Systems Inc. (FICS), a company specializing in cost-effective, in-house mortgage origination, residential mortgage-servicing and commercial mortgage-servicing software for mortgage lenders, banks and Credit unions. You can reach her at [susangraham@fics.com](mailto:susangraham@fics.com).



Susan Graham

important during the follow-up period after an initial inquiry and when confirming loan terms and payment.<sup>8</sup> Even if lenders' web applications provide real-time loan status updates, it's a good idea for loan officers to contact borrowers regularly to reassure them that the process is moving along and ask if they have any questions.

This is particularly important for first-time homebuyers who may need education about the loan application and approval process.

**Respond promptly to borrower inquiries.**

Borrower satisfaction drops for each day a borrower waits for the lender to respond to an inquiry, according to J.D. Power.<sup>9</sup> Borrowers who heard back from their lender within one day had satisfaction ratings of 869 (on a 1,000-point scale). If they had to wait more than one day, satisfaction dropped to 852 (for 2-5 days response time) and 806 (for a delay of six or more days).

According to the same survey, borrowers who inquired via a mobile device received the fastest response times (2.0 days, on average), while those who

contacted lenders online via desktop waited slightly longer for a response (2.2 days).

**SUMMARY**

By using loan origination and mortgage servicing software and web applications to improve the efficiency of mortgage processes, credit union mortgage lenders are taking a big step toward improving the customer experience.



*Mortgage servicers should allow members to pay in several ways: online, by phone or mail, and in-person.*



Mortgage professionals must combine self-service functions with human-touch support. Satisfied members may be more likely to use the credit union for their other lending needs, such as credit cards or a car loan.

Loyal members may also recommend the credit union whose staff helped them successfully navigate the complicated mortgage process.

Millennials and Gen Z borrowers, who comprise two-thirds of first-time homebuyers, are early in their careers and likely to purchase several more houses in their lifetime.

Don't miss out on the opportunity to become a trusted lending source for future transactions.



**Article Sources:**

Here are the URLs to the online information sources used in this article.

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