

Lending systems - future perfect?

Executive summary

Tighter regulation under the mortgage market review (MMR) introduced in April 2014 has driven borrowers into the arms of brokers – intermediaries grew their market share to 73% in Q3 2016 [i].

This growth shows that the broker market continues to be strong, but lenders must ensure they are making it easy for brokers to work with them, and the use of the right software is crucial to this.

Recent commentary has suggested that borrowers would much rather take independent advice rather than going into a branch or doing a product transfer online. And the next generation of borrowers – millennials – will be much more used to new technologies and will expect a choice of channels.

To gain an insight into views of current lending systems, Capita Mortgage Software Solutions carried out research which focused on mortgage brokers' perceptions of mortgage sourcing and application systems.

Our research suggests that if lenders are to maximize this opportunity, they must embrace the capability of existing and emerging technologies to streamline the mortgage application to improve customer experience.

The research was carried out among mortgage intermediaries in 2016 where survey-based quantitative data was supported by in-depth interviews that provided detailed, qualitative insights.

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Research findings

The research focused on brokers' perceptions of mortgage sourcing and application systems, their efficiency and their impact on customer service.

The main findings were as follows:

Legacy mortgage sourcing and application systems were slow to embrace new technologies for the benefit of both brokers and customers

Brokers need systems to ensure they meet the regulatory challenges that have arisen from an increasingly competitive and complex mortgage market

There is an opportunity for lenders to differentiate themselves and create competitive advantage through the quality of their application systems – by enabling brokers to improve efficiency and the quality of service they provide to their customers.

Digital transformation in customer experience

Mortgage systems are lagging behind

Improvements in digital technology have revolutionised the way we all interact with organisations. Customers now expect transparency, a seamless experience, real time transactions and immediate responses.

Organisations now compete increasingly based on the quality of the end-to-end experience they provide to customers.

Banks and other major financial institutions have invested heavily in technology to improve customer experience in most product areas, but have not invested in legacy mortgage systems, having been more recently focused on meeting the regulatory requirements of MMR/MCD.

The research concluded that technology does not currently support the sales/CRM process, neither at the front-end nor in integrating the sales and application processes.

Keeping pace with technological change is critical. Comparisons with the likes of smartphones and tablets, Amazon, Netflix and other forms of e-commerce increasingly highlight deficiencies in the mortgage application customer experience.

The opportunity for lenders is to provide brokers with application systems that improve their internal efficiency and the quality of the customer experience they provide.

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Imagining step-change improvement

The research questioned brokers about the ease of use and satisfaction levels of mortgage sourcing and application systems:

- 85% said they found mortgage sourcing systems easy to use
- 75% said they found mortgage application systems easy to use
- 70% said they were either satisfied or very satisfied with mortgage sourcing and application systems.

The in-depth interviews, however, revealed that satisfaction ratings were based largely on brokers' familiarity with the systems they operate.

Supporting the transactional focus amongst brokers, they gave the highest importance scores to:

- The ability to scan and attach application proofs (9.44/10.00),
- Having clear instructions, navigability and ease of use (9.07/10.00) and
- An affordability check process that replicates the calculations on lenders' websites (9.07/10.00).

Brokers found it difficult to envisage or articulate transformational change and the resultant benefits for them and their customers – in much the same way as it is difficult to envisage the benefits of Smartphone technology until you become accustomed to using one.

Ensuring regulatory compliance

The need for effective technology

In a regulatory environment that is increasingly focused on customers receiving appropriate and unbiased advice, there is a clear need for lending systems to ensure brokers meet these requirements.

Increasing underwriting complexity will also lead to a greater reliance on technology.

Lenders whose application systems best harness technology to meet these new regulatory and underwriting challenges will be best placed with brokers.

The research revealed that the most important features brokers looked for in lenders' mortgage application systems were clarity of lending criteria followed by consistency of decision making and speed to offer.

Only 30% of brokers use integrated fact find and application technology and most only to process a minority of cases. This highlights one area where improved use of technology might improve regulatory compliance and underwriting capability whilst at the same time improving broker efficiency and customer experience.

The opportunity for lenders, therefore, is to develop application systems that insulate brokers from regulatory risk whilst at the same time accommodating the requirements of an increasingly complex underwriting environment.

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Lender opportunity

With over two-thirds of mortgage business now generated via brokers, the research results questioned whether or not lenders' appreciate fully the role their application systems have in terms of brokers' choice of lender:

- 70% of brokers saw their role as being critical in terms of the experience they provide to customers
- The vast majority of brokers rated their customer interaction during the application process as highly important - yet they are dependent on mortgage sourcing and application systems for the quality of the customer experience they provide
- They were unanimous in terms of how important the ease of processing mortgage applications was in terms of their choice of lender
- Brokers want to concentrate on adding value to the customer by way of providing advice as opposed to 'form-filling'
- All other things being equal, brokers would place mortgage business with lenders' whose application systems were the easiest to use, were consistent and which provided the best case tracking functionality
- Brokers are critically aware that improved mortgage sourcing and application systems will improve their efficiency by reducing their administrative cost overhead
- They appreciate that functionally improved systems technology will improve the customer experience they provide
- It was clear from the research that some lenders' application systems are considered functionally more efficient than others.

In the current competitive mortgage market, lenders should be thinking about the influence mortgage application systems have in determining a broker's choice of lender.

Additionally, the growing importance of providing excellent customer experience in terms of retention, generating repeat sales and deepening customer relationships puts greater onus still on the quality and functionality of lenders' application systems.

The opportunity for lenders, therefore, is to embrace the capability of existing and emerging technologies to streamline the mortgage application process to improve efficiency for brokers and to help them to improve customer experience. Lenders which do this will create competitive advantage as a result.

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Conclusion

Technological developments in legacy mortgage sourcing and application systems have not kept pace with step-change improvements in customer experience elsewhere, and it is possible to conclude that intermediaries find it difficult to envisage the ground-breaking improvements that might result from the application of new technologies.

Critically, the research highlights the extent to which a brokers' choice of lender is influenced by the ease of use of particular lenders' mortgage application systems.

Lenders should have the ability to offer brokers searchable lending criteria, scan and upload documents and track the status of applications from any device. Advisers should be able to contact the lender by phone, online or using webchat, and apply latest

technologies to ensure meeting customer expectation, for example engaging on social media.

Lenders will need to use new and emerging technology in order to appeal to the next demographic of homeowners. Forward-thinking lenders, willing to embrace technological advances, will thrive within this environment now and in the future if they can harness technology to strengthen customer experience.

[i] Source: CML Regulated Mortgage Survey (April 2005 onwards)

How Capita Mortgage Software Solutions can help

Our focus is on providing value-based solutions, enabling our clients to deliver the highest quality and most cost effective customer experience. Systems and processes are designed around our client's needs; so understanding how they work and how they think is at the heart of our culture. By working in this way we are able to create practical solutions that tackle challenges more efficiently. Ultimately providing the user with an integrated, end to end solution with straight through processing capability that operates seamlessly across all distribution channels.

Capita Mortgage Software Solutions is a leading provider of origination and servicing software.

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