



STRATMOR
GROUP



GARTH GRAHAM

Technology and Industry Landscape





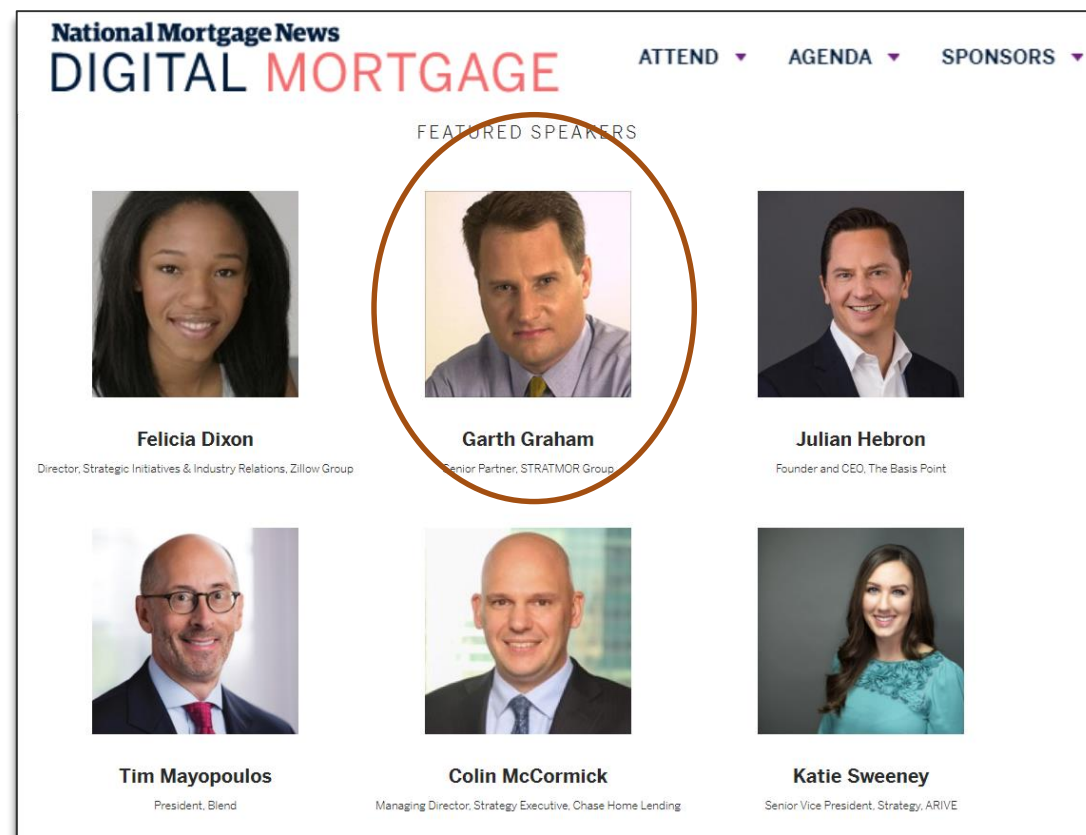
Garth Graham heads STRATMOR Group's marketing strategy and execution practice, which focuses on lead generation and lead management methods and practices primarily for the consumer direct and retail mortgage origination channels. Garth has over 25 years of experience in sales and marketing, ranging from Fortune 500 companies to successful startups, including management of two of the most successful e-commerce platforms.

As an executive with ABN-AMRO, Graham authored the five-year strategic plan that led to the successful \$9 billion sale of the mortgage company to Citigroup in March 2007. Graham was a founder of the executive management team at mortgage.com, and led the company through its dramatic expansion in the late 90s and successful IPO in 2000, before its ultimate sale to ABN AMRO. Mortgage.com originated the first mortgage through the Internet in 1997 and was the original platform for the Quicken and Microsoft mortgage initiatives.

Graham's regular columns in National Mortgage News and American Banker are widely read. He has been quoted extensively in industry periodicals, resulting in over 40 million press impressions over his career. Graham studied Economics and Computer Science at the University of Virginia and has completed Six Sigma Champion and Green Belt Training.

2020 – From the Big Stage to the Small Screen

- What a difference a year makes.....
- The speaking circuit has become very ‘impersonal’
- More money is being spent
- More technology are being implemented
- The digital mortgage has evolved, but challenges remain
- But what is the true benefit?
- We are at an inflection point
- This is a serious topic



A 2019 conference experience inspired a 1980's analogy

- Mortgage industry still looks much the same....
- Technology companies are the 'new' cool thing
- The companies are very different, in fact they even dress differently
- Conferences have morphed to the casual 'fin tech' style mixed with the more formal Mortgage Banker

A mortgage mullet!

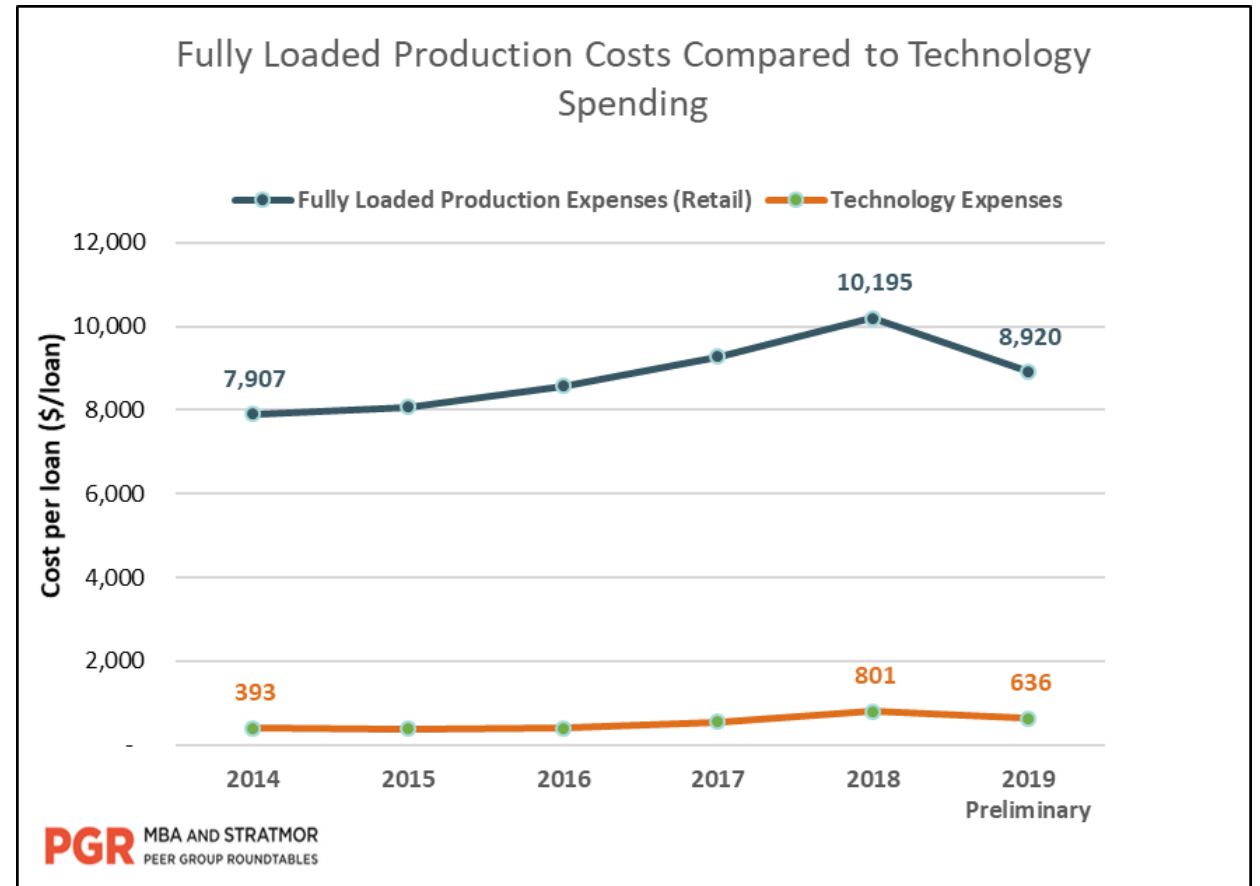


Mortgage Banker on top and fintech on the bottom....

Let's Talk About Who is Spending Money on Tech

These investments are driving up costs, but are they driving up benefits?

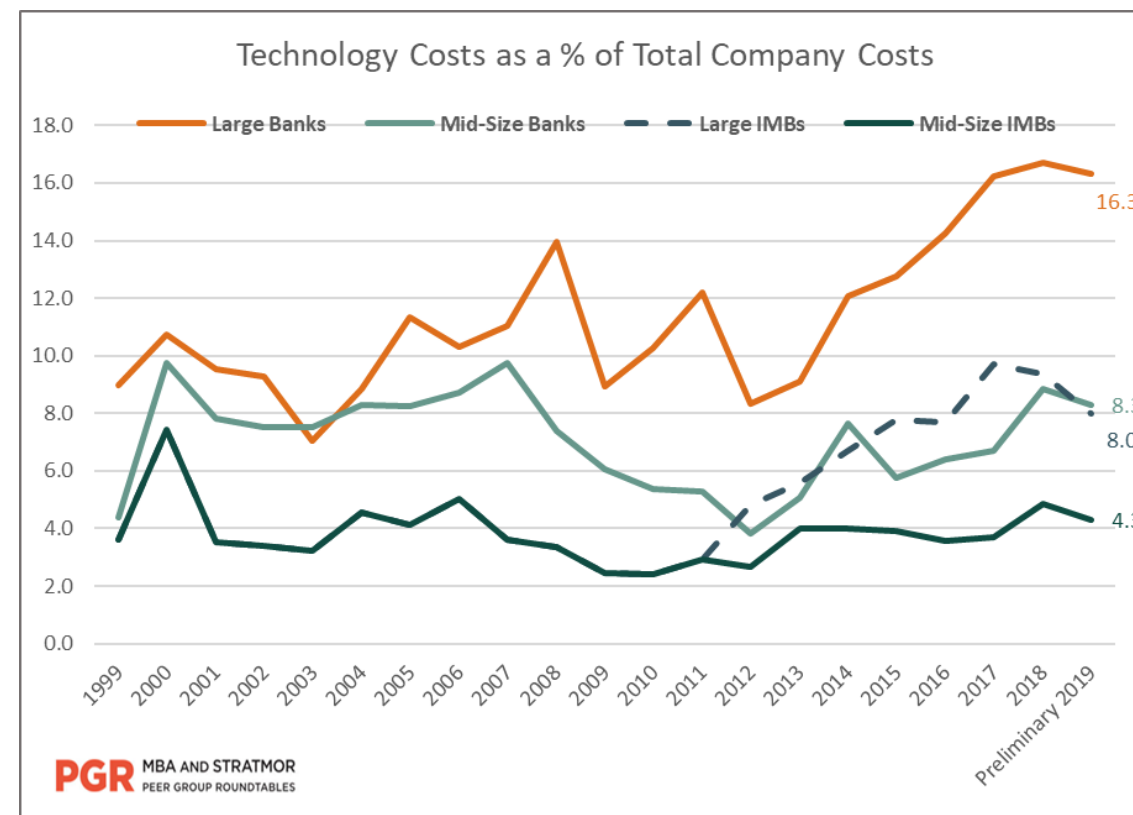
- Technology investments are certainly going up.
- Retail lenders spent over \$800 per loan on technology up from less than \$400 per loan.
- However, the total cost of origination has risen from less than \$8,000, to over \$10,000 on total cost per loan.



Let's Talk About Who is Spending Money on Tech

Technology spent per funded unit have doubled since 2014

- However Total tech costs remain a small percent of overall costs.
- Large banks have significantly increased their tech expenditures but are still at just 16 percent of the total spend.
- Larger IMBs and midsize banks are approximately nine percent of the budget on tech.
- Midsize IMBs put roughly five to ten percent of their spend to tech (about \$4 million annually).

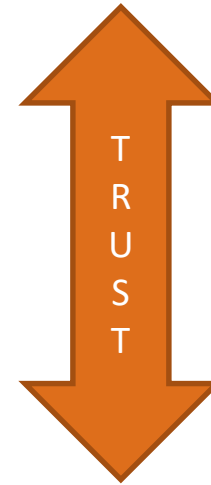


Digital Mortgage Defined: *“The World According To Garth”*

1. The ability to interact with the consumer across all potential interaction methods (Web, Text, Email, Mobile, Chat and Voice) in the way they want to interact.



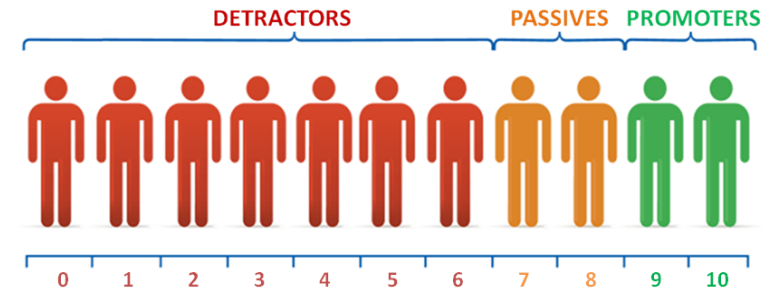
AND



2. The ability to generate DATA to support the loan file RATHER than documents (less stare and compare).

Lender Loyalty Score Analysis™ (LLS)

- Net Promoter Score or NPS is calculated by subtracting the Detractors (6 through 1) from the Promoters (10 & 9). This framework is common when evaluating consumer products.
- Standard ‘likelihood to recommend’ question is not the best measure for the various systems.
- Instead, STRATMOR decided to use a 1 to 10 rating scale like the NPS and asked the question, “How likely are you to continue to use this system?”



$$\text{NPS} = \% \text{ of Promoters (9s and 10s)} - \% \text{ of Detractors (0s through 6s)}$$

The Lender Loyalty Score Analysis™ (LLS) provides an indication of satisfaction as well as the lender's intention to continue to use a given technology.

Lenders not very satisfied with their systems

- Over 200 lenders, with approximately 30% of the volume
- CRM and POS (lot of investment dollars) have LOW lender loyalty scores
- LOS and the ancillary fulfillment systems are less than 40 LLS
- Less than 40 is similar to Travel, Insurance, Computers, and Smart Phones

	Overall Satisfaction	Lender Loyalty Score
	(10 pt scale)	(100 pt scale)
Lead Management/CRM	6.3	(4.86)
Point of Sale (POS)	6.2	8.88
Price Engine (PPE)	7.2	31.49
Loan Origination Systems	6.8	35.38
Document Preparation	7.3	32.32
Closing Collaboration	7.0	21.21
Fee Engine	7.0	16.00
eClosing System	7.2	9.76
Production Pipeline Hedging	8.4	58.39
Servicing Systems	6.9	41.67
MSR Valuation System	7.6	28.26
Customer Satisfaction Survey	7.2	21.01

Lenders are Pursuing Digital in the Name of Borrower Experience

Perceived Benefits of Digital Mortgage

Scale: 5=Very High - 1=Very Low

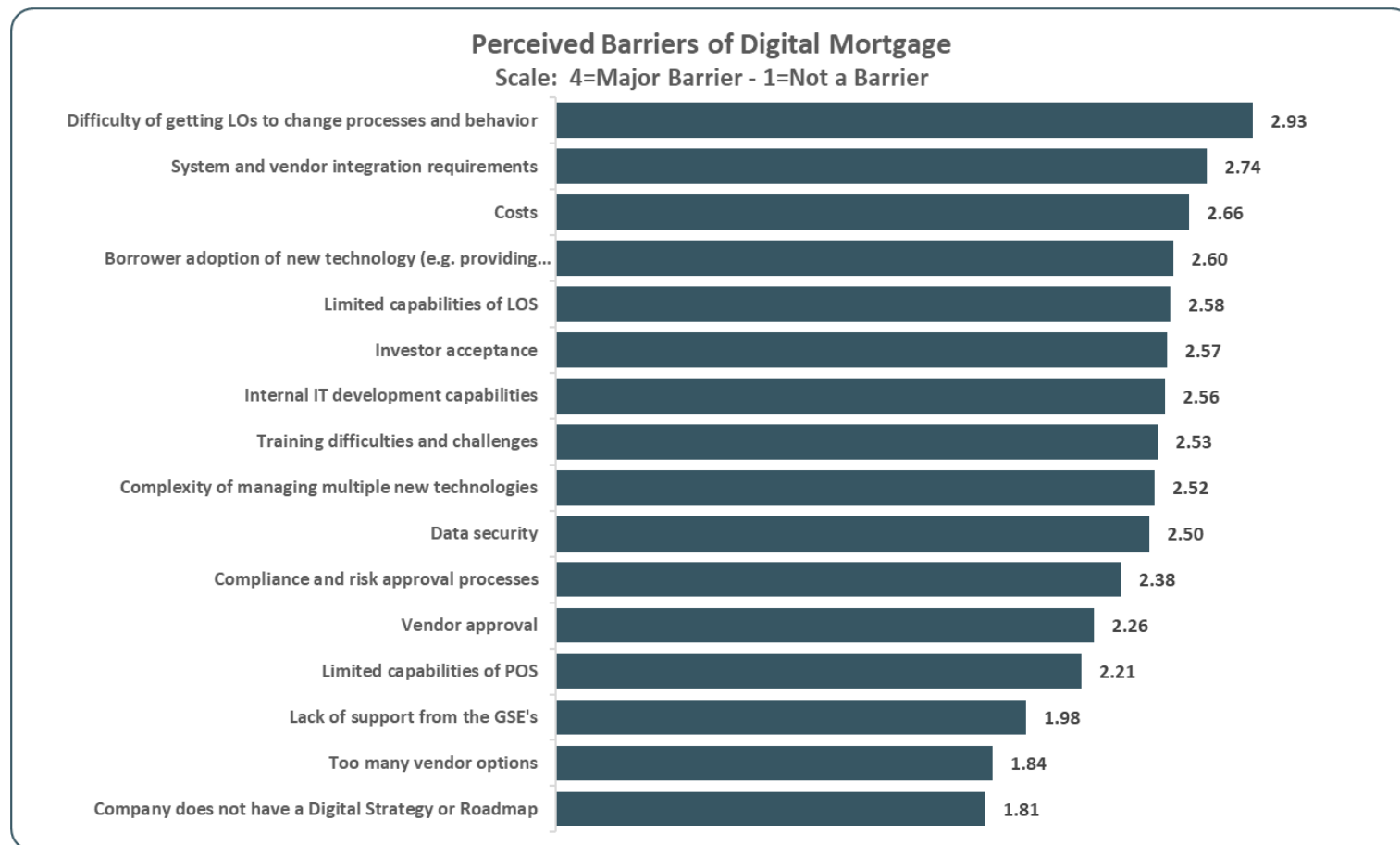


- The Top 3 benefits involve aspects of customer service
 - Increased Borrower Satisfaction
 - Faster Cycle Times
 - Greater Workflow
- While the bottom three perceived benefits are
 - Reduced Repurchase Risk
 - Increased CD Share
 - Reduced Commission

Source: 2018 STRATMOR Tech Insights Survey

The top 3 perceived barriers for Digital mortgage are “lender” not “consumer” issues

1. Getting People (LO, Processors) to change
2. System Integration
3. Costs



Source: 2018 STRATMOR Tech Insights Survey

Digital Survey reveals year over year (over year...) gains in lender digital adoption

- STRATMOR measures both the LENDER adoption (installs)
- We have bucketed the capabilities into 7 categories
- Agency functions are the largest adoption (2019) with 65%
- The APPLICATION process has seen a large rise in adoption, risen from 30 to 56%
- Closing is the least, but has grown from 10% to 20%

Category	2017	2018	2019
Engagement	29%	44%	49%
Price & Product	26%	38%	47%
Application	30%	47%	56%
Processing	31%	51%	48%
Appraisal	30%	43%	51%
Agency	34%	60%	65%
Closing	10%	20%	21%

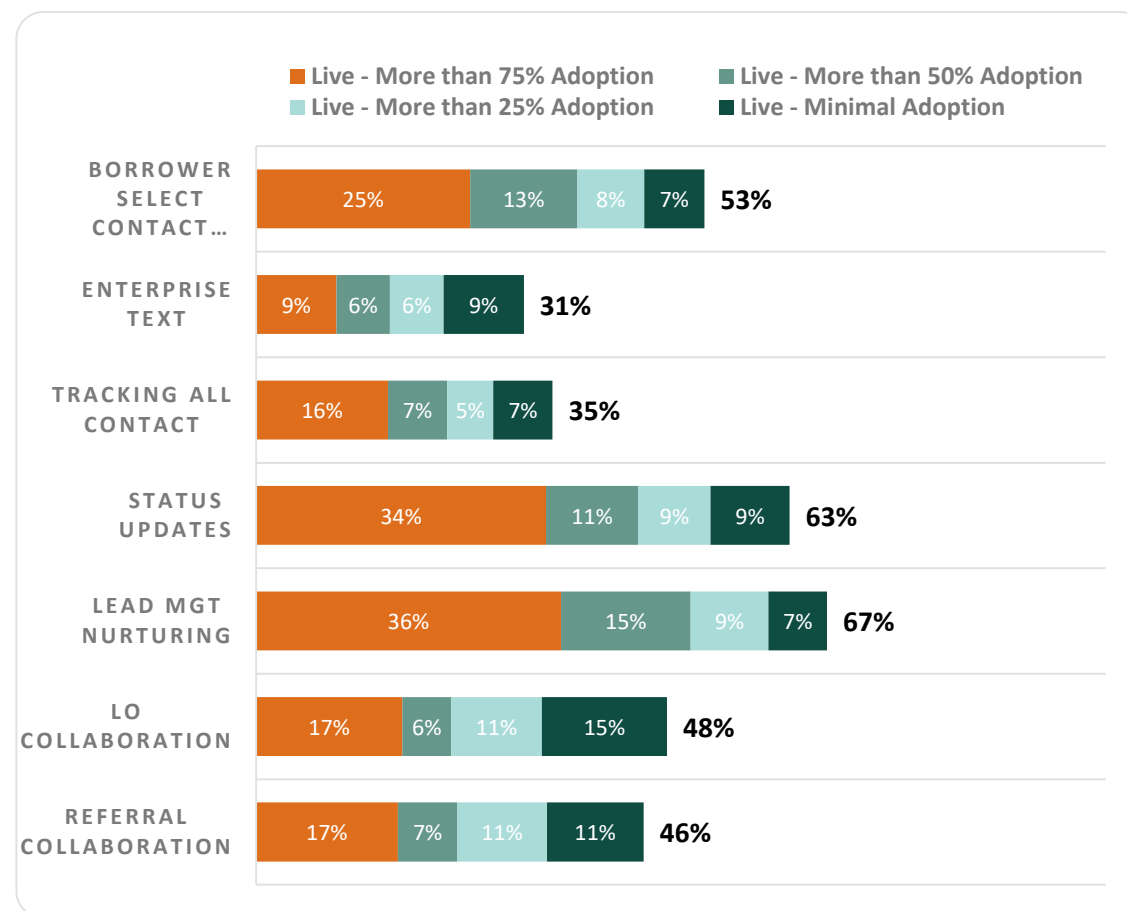
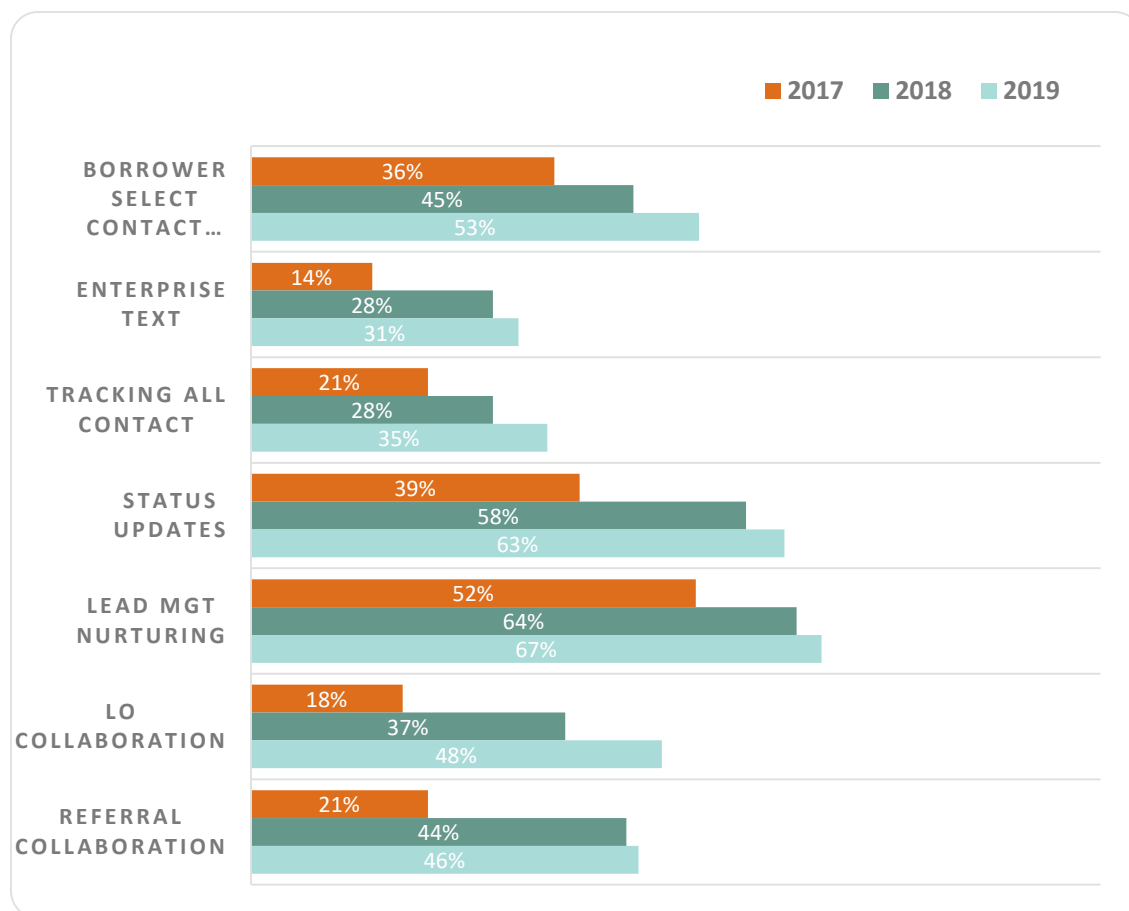
However NET adoption has lagged due to lower USER adoption

- Net Adoption = Lender Adoption x User Adoption
- The USER adoption (how much business is done leveraging that capability) is driven by consumer and lender behaviors

Category 2019	Lender Adoption	X User Adoption	Net Adoption
Engagement	49%	61%	30%
Price & Product	47%	95%	45%
Application	56%	51%	28%
Processing	48%	45%	21%
Appraisal	51%	77%	39%
Agency	65%	57%	37%
Closing	21%	93%	19%

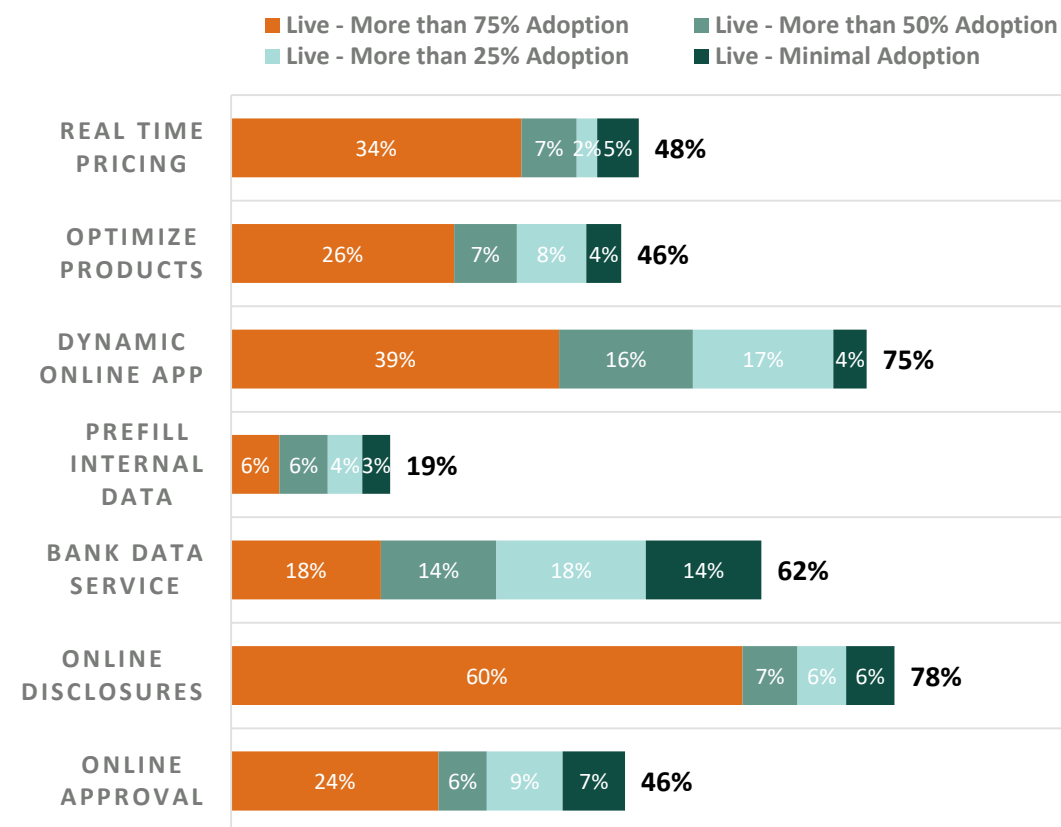
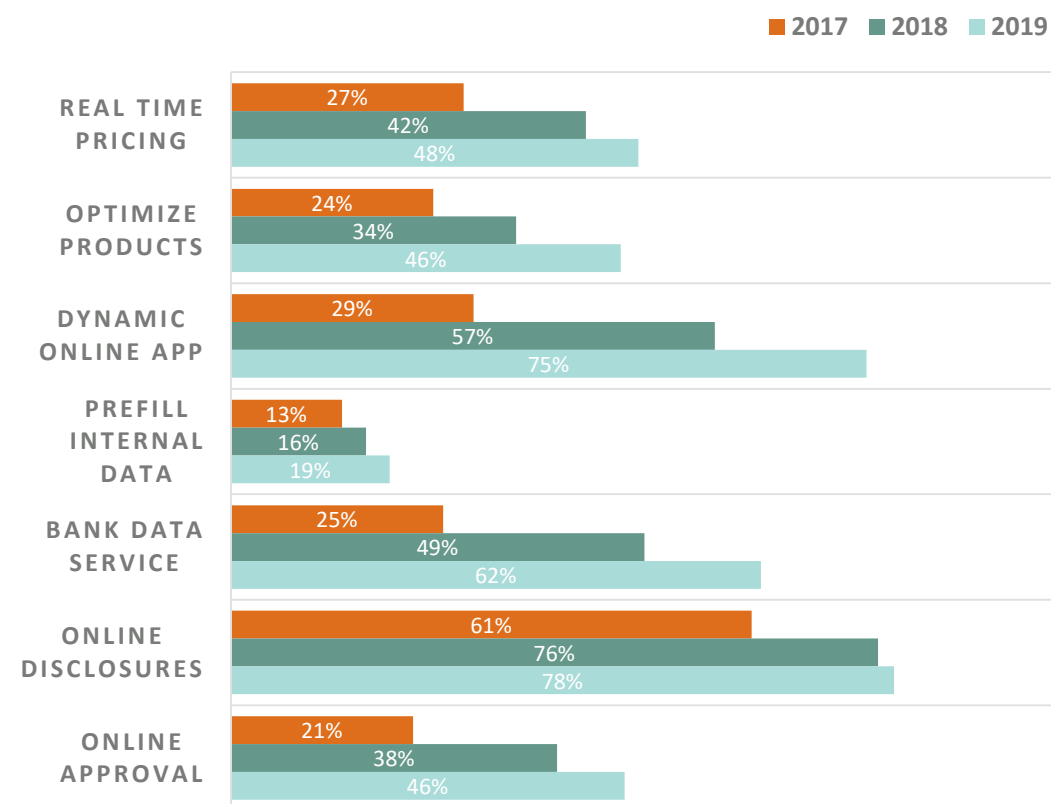
Borrower Engagement grown from 29-49%

Category	2017	2018	2019
Engagement	29%	44%	49%



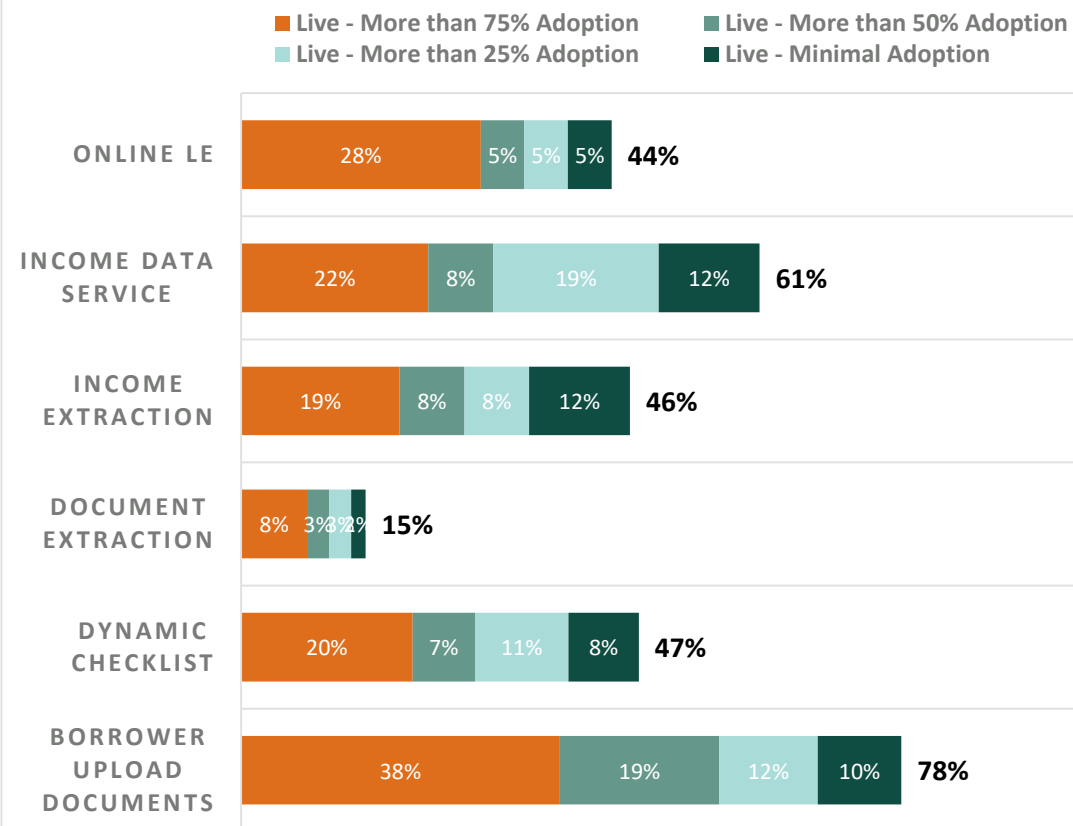
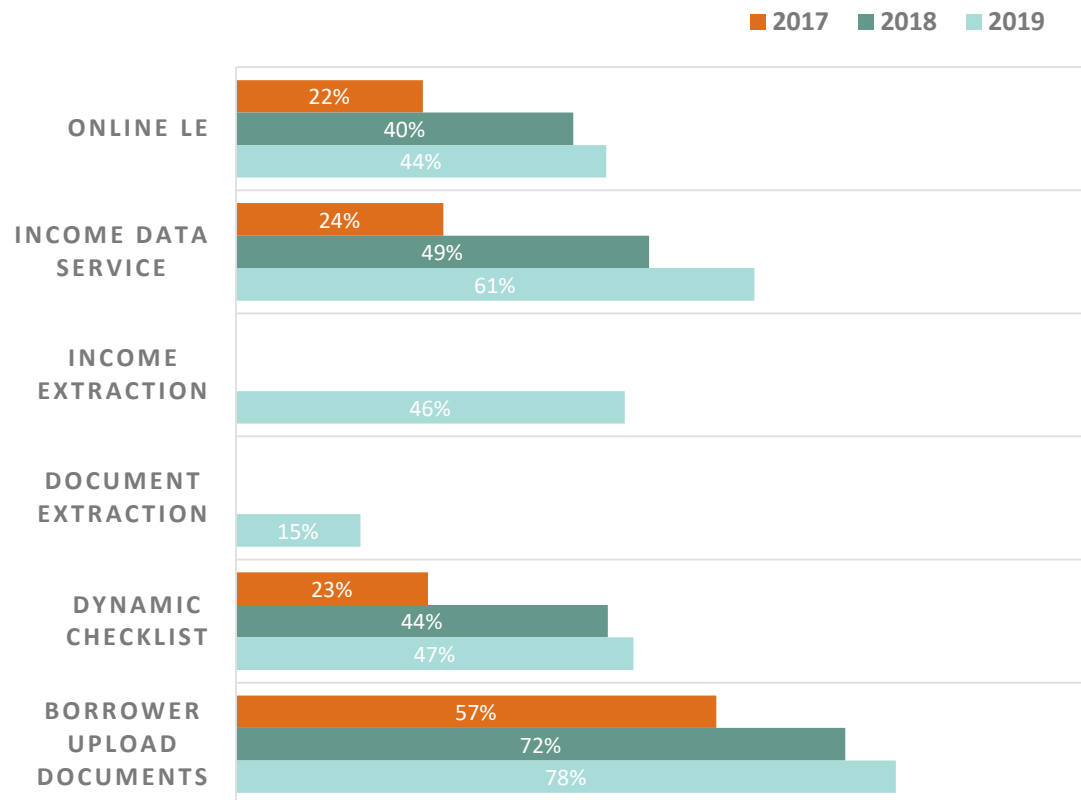
Application Process steady gains in adoption

Category	2017	2018	2019
Price & Product	26%	38%	47%
Application Process	30%	47%	56%



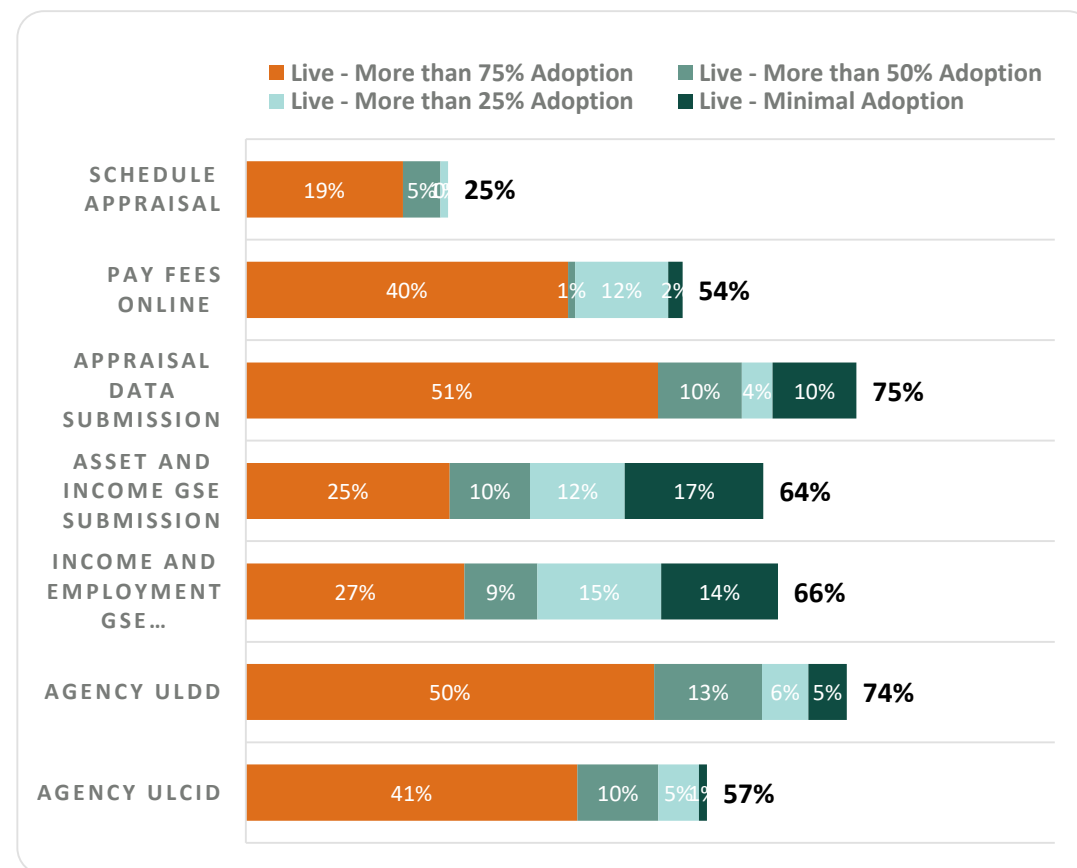
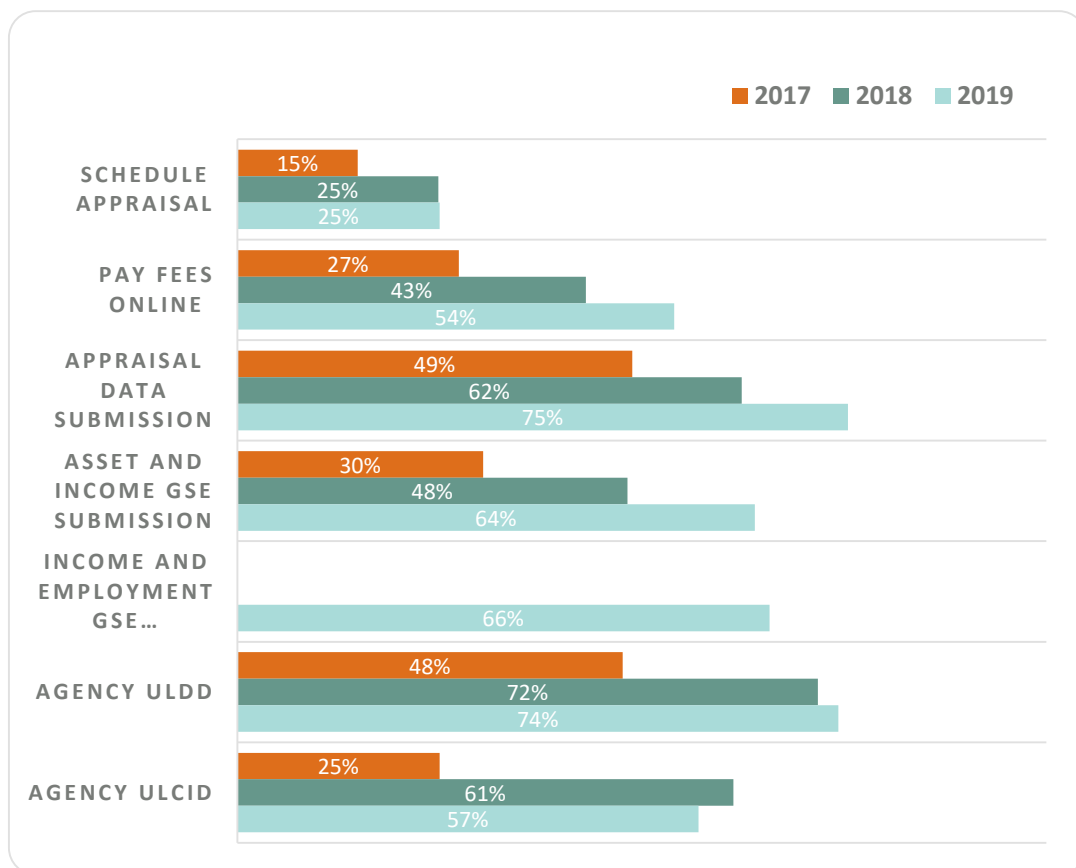
Processing has low lender and consumer adoption

Category	2017	2018	2019
Processing	31%	51%	48%



Appraisal is less than 25% adoption, while Agency mandated integrations approach 50%

Category 2019	Lender Adoption	X User Adoption	Net Adoption
Appraisal	51%	77%	39%



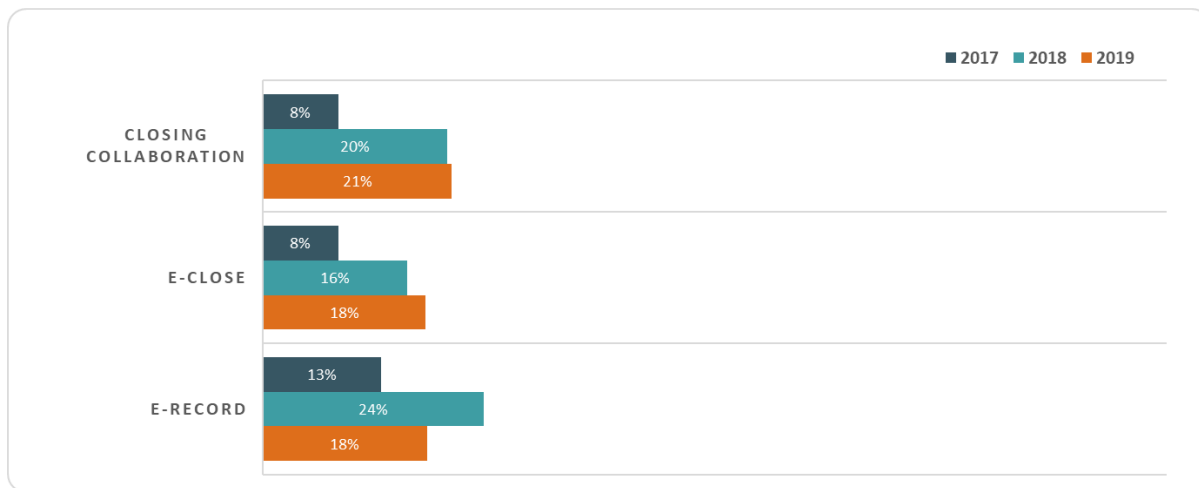
CLOSING AND POST CLOSING

Category	2017	2018	2019
Closing	10%	20%	21%

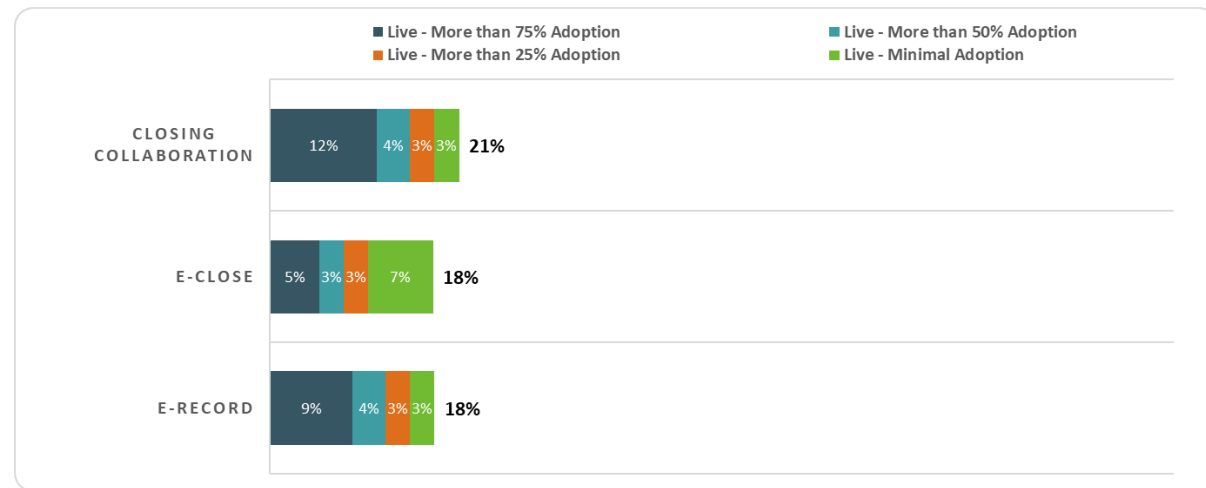
The following digital capabilities are related to the Closing and Post Closing process:

- **Closing Collaboration:** A Closing Collaboration platform that enables online interactions with 3rd party closing agents.
- **E-Close:** An electronic closing (e-close) process.
- **E-Record:** An electronic recordation process.

% OF LENDERS WITH LIVE CAPABILITIES



LEVEL OF ADOPTION FOR LENDERS WHO ARE LIVE



Six Question to Consider

1. Do you have a business case for investing in this new technology?
2. What's the end game, our Target Operating Model (TOM)?
3. Lenders spend too little on tech (compared to people) BUT the tech expense is growing
4. The digital features and systems are being installed, but adoption wanes
5. Will this tool help us drive high levels of borrower satisfaction?
6. Are we prepared to invest, to ensure our **People, Processes and Products** will work well together and really make a difference to our bottom line?

Connect with Me

GARTH GRAHAM

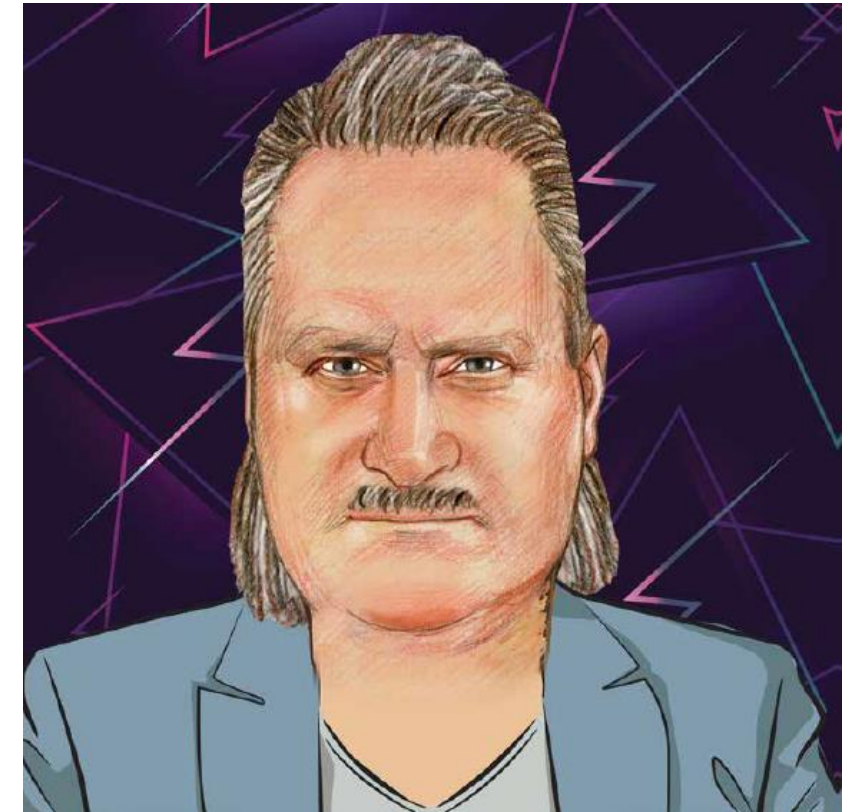
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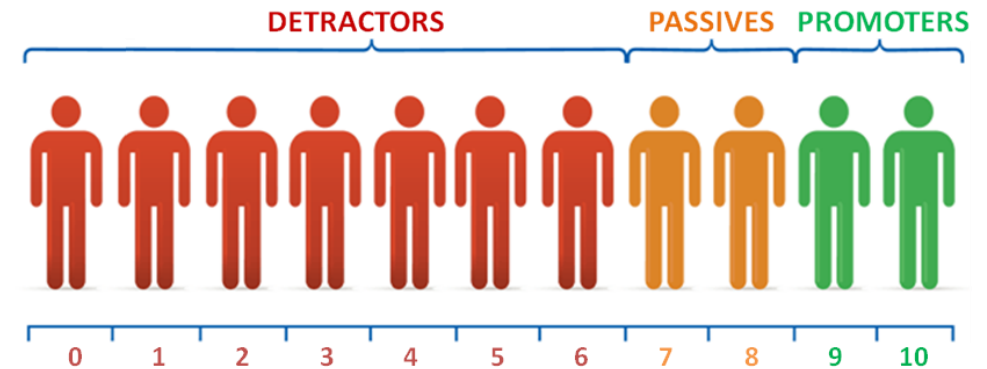
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Customer Experience Insights

STRATMOR's customer survey reveal the primary drivers of satisfaction.

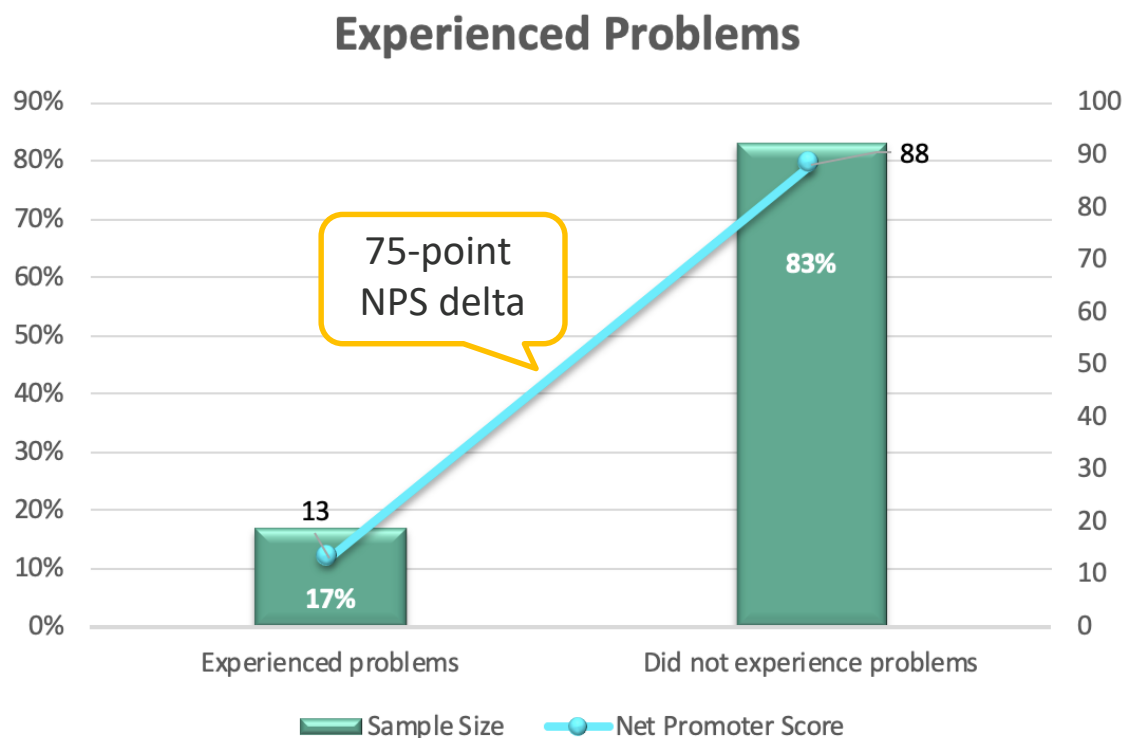
- STRATMOR surveys 150,000 customers each year on their closed loan experience
- Results show that roughly 8.5 out of 10 are relatively satisfied with the process
- Survey drills into the process, and is able to show what drives the levels of satisfaction (and dissatisfaction)
- The data shows that raving fans (promoters) drive referrals, repeat customers and cross sell opportunities



$$\text{NPS} = \% \text{ of Promoters (9s and 10s)} - \% \text{ of Detractors (0s through 6s)}$$

NPS - Net Promoter Score is a measurement of how likely customers are to recommend you.

How Important is Avoiding Problems?

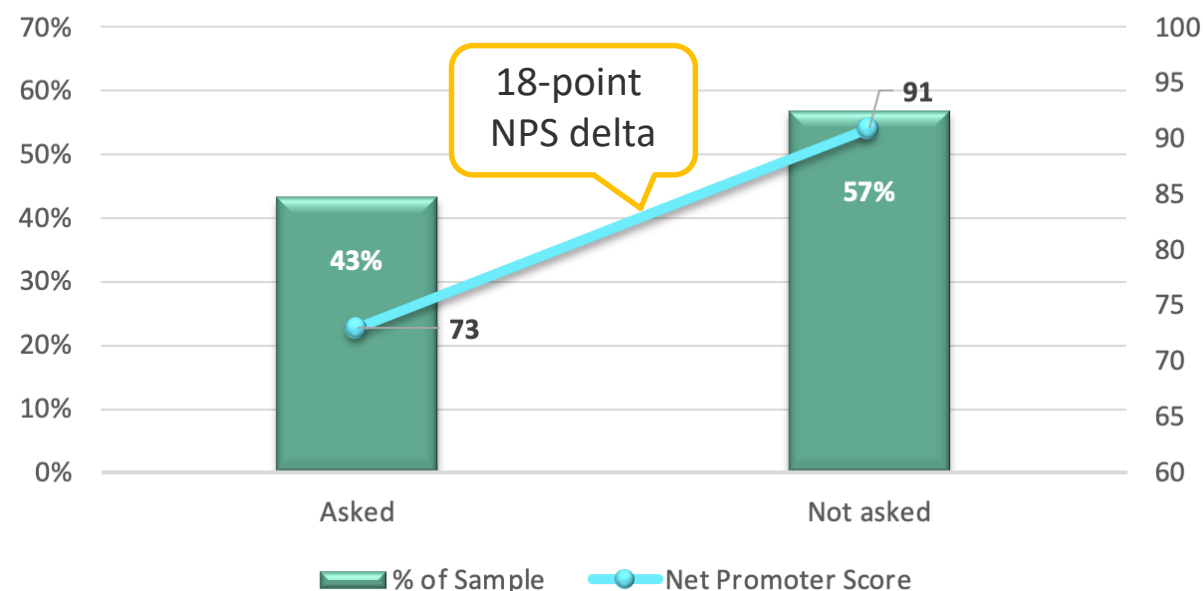


- Nearly **1 in 5 borrowers** experience “problems”.
- Those borrowers still rate their LO at **8 out of 10**, but NPS falls **75 points**.
- Conclusion: A missed chance for a referral is not always apparent in an LO score.

How Important is an accurate Checklist?

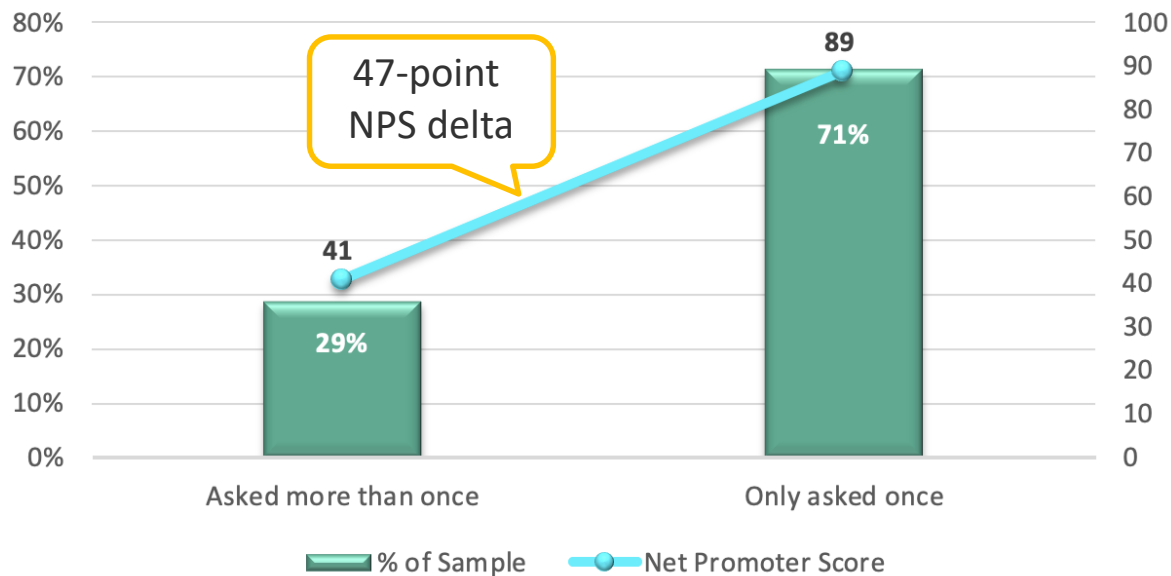
- When the initial document checklist isn't thorough enough, and additional docs are required, **NPS falls 18 points**.
- This is one of the greatest opportunities for improvement, happening on more than **2 in every 5 loans**.
- **Conclusion:** Consider investing in an online application tool that **incorporates skip logic or UW intelligence**, to produce the most accurate list.

Asked for Non-Standard Documentation



Avoid asking for same information more than once

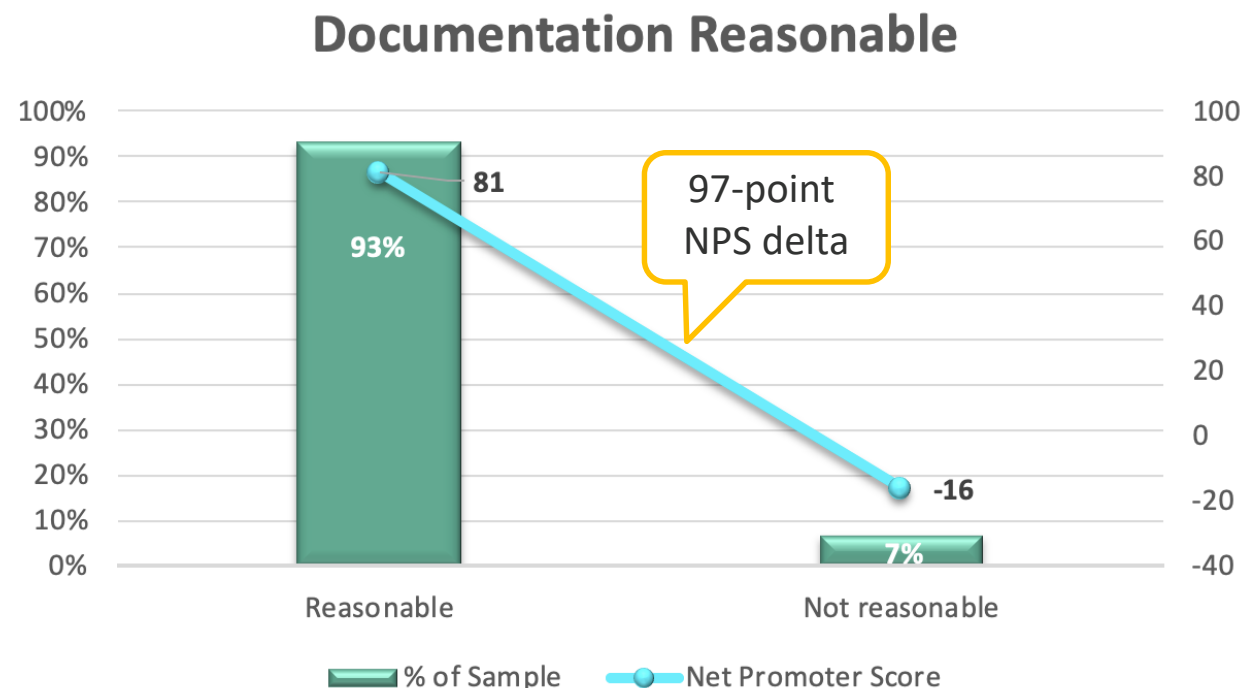
Asked For Same Doc More Than Once



- This is the other lowest hanging fruit for most companies, with nearly **1 in 3 borrowers** being asked for the same doc more than once.
- This could be the fault of a disorganized **LO or Processor**, a poor digital document setup, or even an distracted **Underwriter**.
- **Conclusion:** Using a system which scores each team member for this element on every loan will create accountability.
- Clarity on “additional” data requirements.

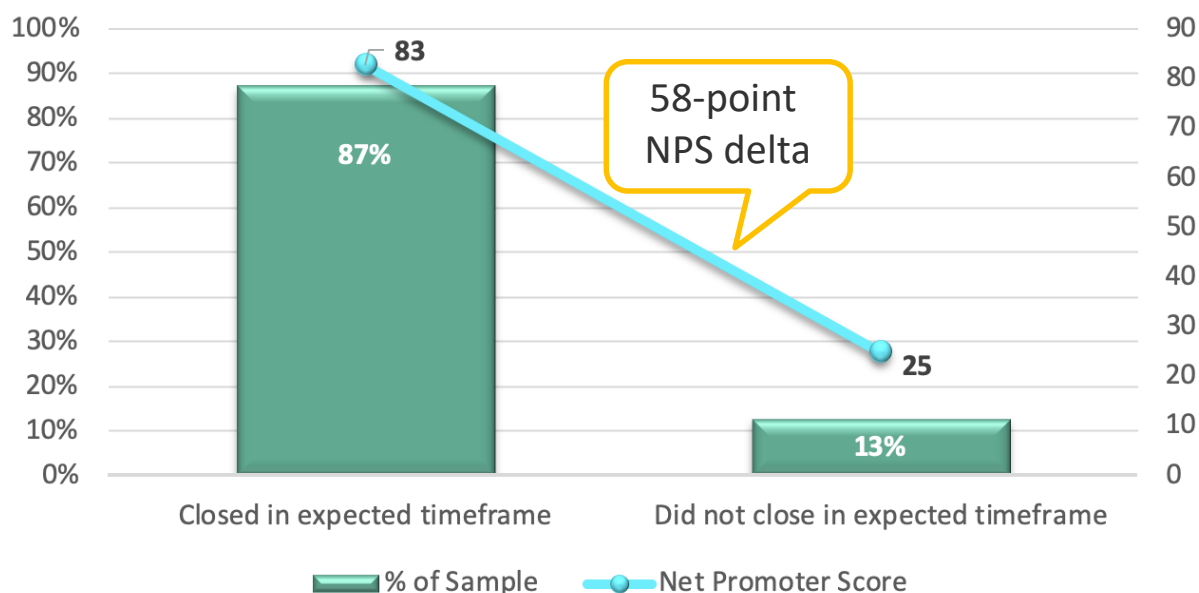
“Un-Reasonable” requests impact satisfaction

- When borrowers consider the sum total of document requests to be “Unreasonable” **NPS falls 97 points.**
- This is most often a symptom of poor communication and more or less **guarantees negative word of mouth.**
- **Conclusion:** Documentation collection is the strongest driving factor in the loan process that **will make or break a referral.**



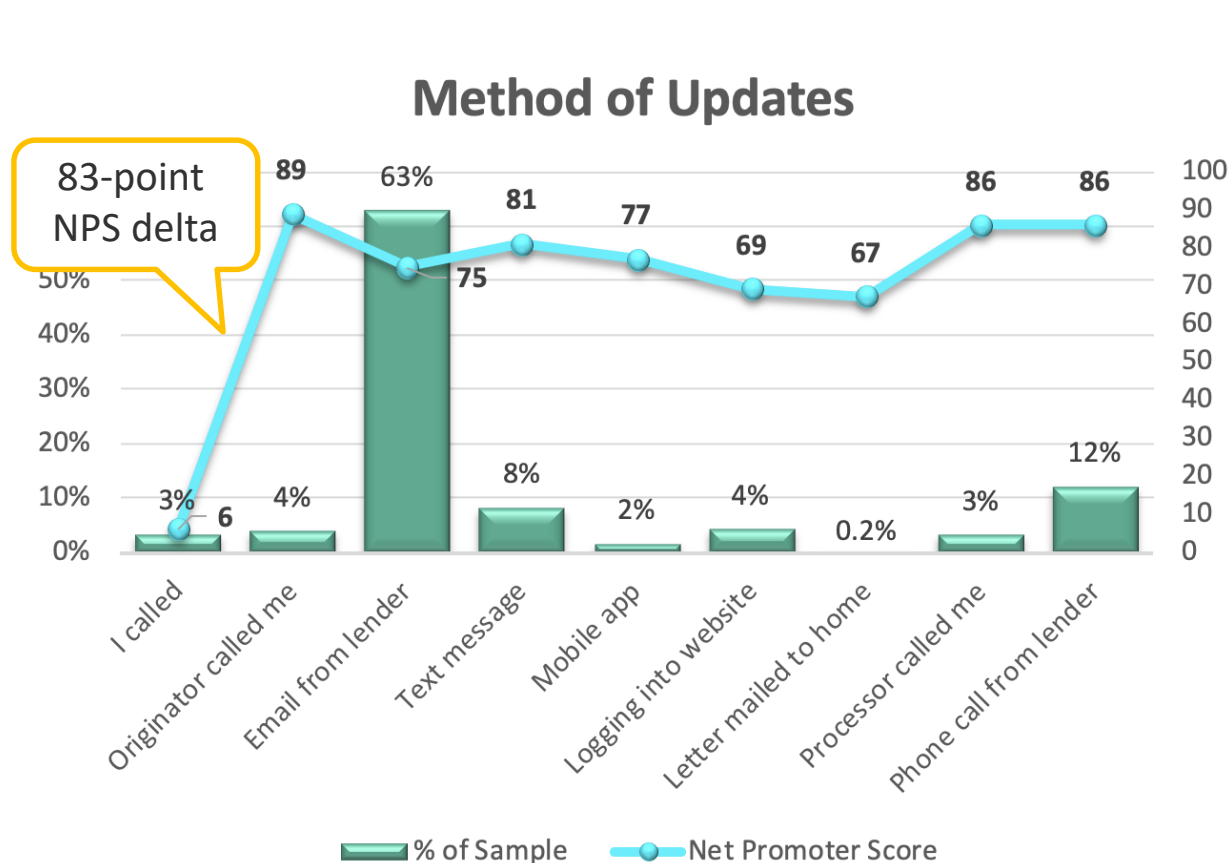
Closing within expected time frame is key driver of Satisfaction

Closed in Expected Timeframe



- When borrowers do not close in the expected timeframe, **NPS falls 58 points.**
- It happens to **1 in every 7 loans**, and is most often the fault of poor (or lack of) communication between LO and borrower.
- **Conclusion:** Work aggressively to **hit the closing date** and impress upon staff that **resetting expectations early on** is much better than scrambling with excuses at the end.

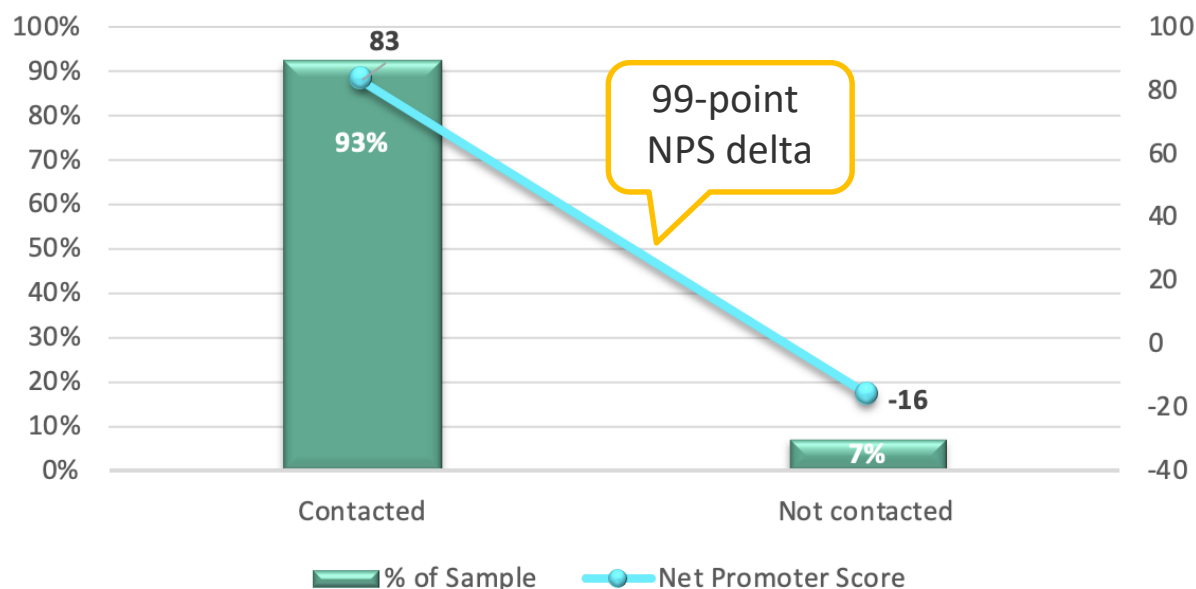
How Important is Personal Touch?



- Regardless of age, borrowers are **happiest when they get loan updates by phone call**, whether from the LO, Processor or another lender rep.
- When borrower have to proactively contact the lender for updates, **NPS takes an 83 point hit**.
- Conclusion:** Automation is the way of the future, but the ability to **tie it together with personal touch** will produce the best results.

How Important is Personal Touch?

Called Prior to Closing



- When borrowers did not get a call to go over closing numbers, **NPS fell 99 points**, a death sentence to potential referrals.
- It happens to **1 in every 14 loans**, and the responsibility often falls to different roles depending on the lender.
- **Conclusion**: Tying a satisfaction score to each team member (LO, Processor, UW, Closer) will help you identify and fix this problem quickly.