INDUSTRY REPORT

The State of Borrower Experience

How lenders can leverage customer experience as a competitive advantage

STRATMORGROUP | snapdocs

Read time: **20 min.**

Introduction

As a mortgage lender, you know that prioritizing borrower experience is essential in both thriving markets and in market downturns in order to guard profit margins, grow faster, and gain market share. But what constitutes a great borrower experience? What key factors impact whether a borrower will work with you again and recommend you to others?

To answer these questions, STRATMOR Group and Snapdocs have collaborated to assess and benchmark the major phases that impact borrower experience across the mortgage transaction. The benchmark is built from surveys of 7,000+ U.S. borrowers who have completed a mortgage transaction within the past nine months, including a mix of purchase (69%) and refinance (31%) transactions, as well as a wide range of lender sizes.

The results of this research are outlined in this report, providing lenders a granular view into borrowers' sentiment across the application process, document collection and processing, and closing. The results will clarify:

- **Where** in the mortgage process lenders should be focusing, and more specifically what the **root causes** are in delighting or displeasing borrowers at each phase
- **How much** of an impact key parts of the process have in improving the experience
- **What actions** lenders can take to begin improving the experience

With these results, lenders can compare how they perform across their mortgage process to the benchmarks to improve the end-to-end borrower experience, positively impact NPS scores, and compete with best-in-class peers.

To get a jumpstart applying these learnings, we encourage you to take advantage of a **customized insights report** offered by Snapdocs and STRATMOR Group. The report is designed to help you determine where you rank against industry peers, how your own employees perceive the level of service you provide, and what your organization can start doing today to make meaningful improvements when it comes to borrower experience.

See how your borrower experience ranks next to industry peers.

Visit **snapdocs.com/borrower-experience** to get started.

Key Findings

One in five borrowers encountered an issue in their mortgage process, representing a significant opportunity for lenders to improve. But, given the complexity of a mortgage transaction, most lenders are unsure where to focus their efforts.

One in five

borrowers encountered an issue in their mortgage process

The study provides insights on three key points of collaboration between the borrower and the lender across the mortgage transaction: the application phase, the document collection and processing phase, and the closing phase.

STRATMOR Group and Snapdocs found many lenders will be able to measurably improve the borrower experience by focusing on processes involving **document collection and the closing**, both of which are where particularly damaging issues occur. The study also found that the **pre-closing and closing process are responsible for a combined 70% of a borrower's overall satisfaction.** Therefore, focusing on these specific touch points as cited in the study should provide a significant opportunity for lenders to improve.

STRATMOR Group and Snapdocs found the following themes related to the three main phases of the mortgage loan process:

Impact to borrower experience

Application >

Over the past decade, lenders have worked to minimize issues with the application process, and the study findings confirm this. Borrowers experience fewer and less-damaging issues when compared to phases downstream in the process. According to STRATMOR Group research over the decade, this was not always the case. Given the recent history of strong technology investments into the application process, it is reasonable to conclude that lenders are realizing the returns of these technology investments in the form of bolstered customer sentiment.

Document Collection and Processing >

If lenders make document collection an efficient, well-communicated process for every borrower, they can significantly improve the borrower's experience. More than one-third of borrowers experience issues in document collection, making this area of the loan process among the most frequent to experience miscues. Lenders who focus here can measurably improve their overall borrower experience. But, focusing here will likely require considerable, consistent, and targeted efforts to improve communication. In other words, the problems of document collection can be assisted by technology solutions but cannot be solved by them.

Closing >

Lenders have the most opportunity to improve the borrower experience in the pre-closing and closing phases of the loan journey, and may be able to realize a quicker return on investment with technology. There are many parts of the closing process lenders can focus on improving, each of which are damaging to the borrower's experience. Lenders have the opportunity to leverage technology, such as digital closing and closing-adjacent technologies, to quickly and sustainably improve the closing, similar to improvements made to the application process. Lenders seeking to improve their overall borrower experience should see the greatest return on investment here.

For a deeper understanding of these results, we've highlighted detailed findings from each of the three phases of the mortgage process.

State of Borrower Experience

1 in 5 borrowers experience a problem in the mortgage transaction.

Diving deeper, where in the mortgage transaction are the issues and what are the causes?

Application → **Processing** → **Closing**

Impact to borrower experience

Impact of Overall Satisfaction

15% Application	15% Processing	70% Closing

Factors Impacting Borrower Experience

Application

42%
of borrowers needed help completing application

+2 NPS

NPS: Net Promoter Score refers to how likely a borrower is to recommend the lender

Processing

9%
of borrowers felt document requests were unreasonable

-70 NPS

36%
reported repeated requests for documents

-11 NPS

Closing

Preparedeness

12%
of borrowers didn't get an opportunity to preview closing docs

-33 NPS

10%
didn't get enough time to preview closing docs

-55 NPS

Closing Event

38%
had some kind of issue at closing: errors, setting fee/ interest rate expectations, delays, confusing paperwork

-34 NPS

Conclusion

Ultimately, additional investments in downstream technologies and process improvements provides a path to identify, address, and resolve ongoing issues in the borrower experience. Luckily for lenders, in an environment of margin compression, investing in the right technology and driving process improvements is more than a "win". It is a "win-win" with the effect of both driving operational efficiencies and delivering best-in-class customer experiences.

⭐ Visit **snapdocs.com/borrower-experience** to request a personalized insights report to better understand ways to improve your organization's end-to-end borrower experience.

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This is the first phase of the mortgage process

The Application Phase

The application phase is where the borrower and lender begin working together. As such, it's a critical stage to begin delighting the borrower.

Summary

Overall, lenders are minimizing issues with the borrower as they apply for their mortgage transaction. Borrowers experience **fewer and less damaging issues** when compared to the other phases downstream in the process.

Two questions were critical to determining the borrower's experience during the application process:

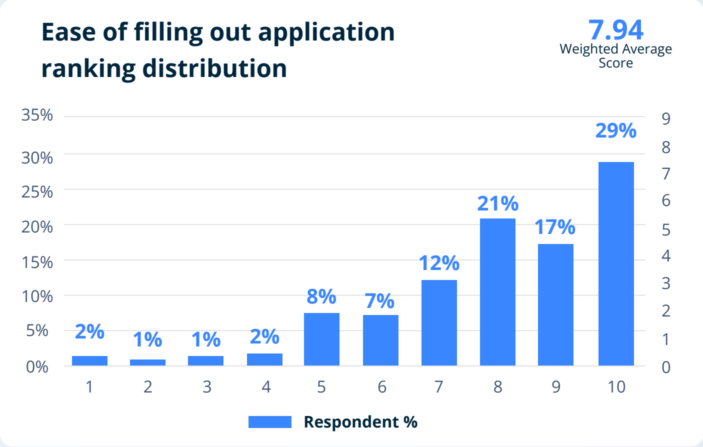
1. How easy was it to fill out the loan application?
2. Did borrowers require help filling out the application?

The Data: The root causes and impact

Ease of filling out the application

The vast majority of borrowers considered filling out the application to be relatively easy. 67% of borrowers rated the ease at an eight or above on a 10-point scale. More importantly, very few borrowers considered filling out a loan application to be "Very difficult" or even "Moderately difficult" – 4%. [1]

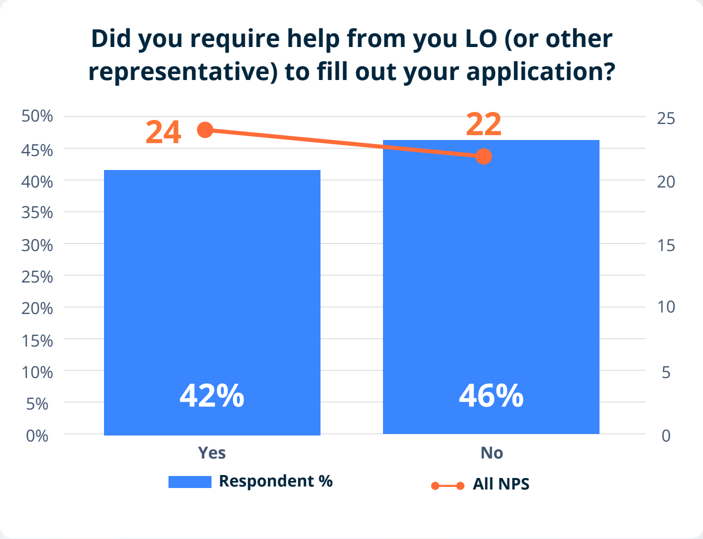
More than a quarter of the population, however, fell between five and seven on the 10-point scale, indicating that some improvements could be made in this area.



Data: STRATMOR Group 2022 Borrower Experience Index

Help required in filling out the application

42% of borrowers surveyed responded they did require help filling out their application. More interestingly, if the borrower did ask for help on the application, they were slightly more delighted with their experience, represented by an increase in Net Promoter Score (NPS) of two points. [2] This suggests that personal involvement from the loan officer during the process, even if assisted by technology, creates for a better experience.



Data: STRATMOR Group 2022 Borrower Experience Index

The Commentary: What to do next

Lenders are already performing well when it comes to the application process. As such, this is not the first area many lenders should focus on to improve borrower experience.

The likely reason why lenders are performing so well is that many of them already made significant technology investments into point-of-sale (POS) technology. According to STRATMOR Group data, 94% of lenders currently have a POS, which enables them to provide borrowers an easier, faster digital application process. Lenders' investments nationwide are already leading to improved borrower experiences, making the application phase a less frequent and less damaging part of the borrower's experience during the mortgage process.[1]

> **"Lenders have made significant strides over the past decade in improving the application process. In working with lenders historically, the application was where many borrowers became dissatisfied with their mortgage experience. As lenders have invested in technology to streamline the application process with POS technology, we've seen significant improvements in borrower satisfaction at the application."**

– Mike Seminari, Director of Customer Experience at STRATMOR Group

[1] Throughout the survey, the ease or satisfaction with a specific phase in the process, such as the ease in filling out the loan application, is rated a 10-point scale. On this scale, a 10 represents "Very Easy" or "Very Satisfied" and a 1 represents "Very Hard" or "Very Dissatisfied." Rating all questions on this 10-point scale allows us to benchmark the overall ease of specific events in the mortgage process.

[2] Net Promoter Score (NPS) refers to how likely a borrower is to recommend the lender. For example, "How likely are you to recommend the lender to a friend or colleague?" on a scale of 1-10. If a borrower answers 8 or above, they are a promoter. If a borrower answers below a 6 they are a detractor. The net of these two scores determines the Net Promoter Score. For more information, please see the Appendix.

1 STRATMOR Group Technology Insight Survey 2021

This is the second phase of the mortgage process

The Processing Phase

As the borrower continues their mortgage transaction, they need to provide various income and asset-related documents requested by the lender to approve the mortgage. Since borrower sentiment during this phase is shaped by their perception of how long the process is taking, how reasonable the requests are, and how repeat asks are handled, much of the borrower experience is reliant on the quality of the lender's communication.

Summary

Lenders may have an opportunity to make document collection an efficient, well-communicated process for every borrower, which could significantly improve the borrower's experience. For example, making repeat requests for a document that was already provided occurs on more than one third of loans, making it one of the most-prevalent miscues of the loan process. Lenders who focus here can measurably improve their overall borrower experience. But, focusing here will likely require considerable, consistent, and targeted effort to improve communication. In other words, the problems of document collection can be assisted by technology solutions but cannot be solved by them.

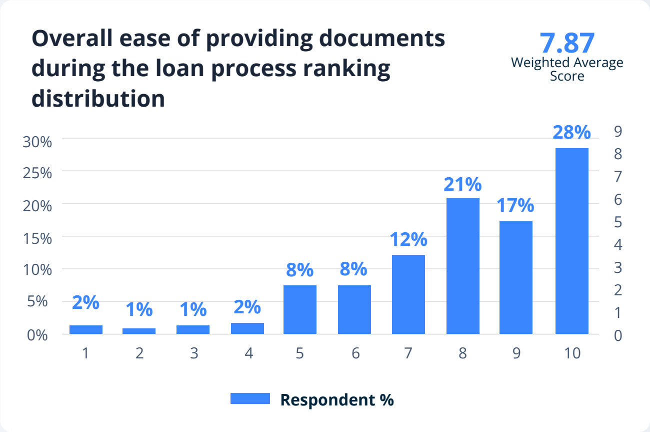
To measure the impact of document collection, three questions were critical to determining the borrower's experience:

1. How easy was it to provide documents?
2. Did the borrower feel the document requests were reasonable?
3. Did the lender request documents the borrower already provided?

The Data: The root causes and impact

Ease of providing documents

Overall, borrowers considered providing documents more strenuous than all other steps in the mortgage process surveyed. On average, borrowers rated this step a 7.9 out of 10. This was the lowest average score in terms of "ease" and in terms of total borrowers ranking this as "very easy" of all mortgage phases surveyed.



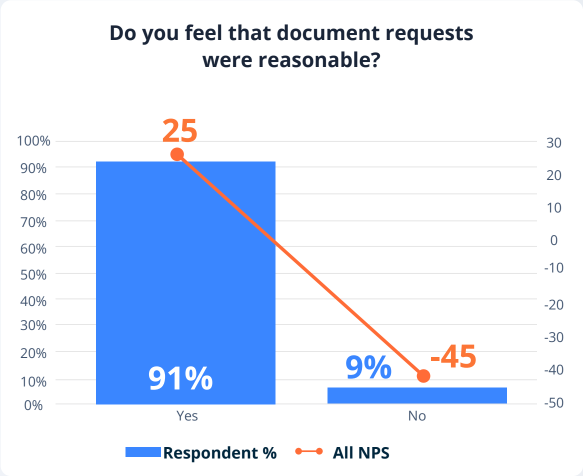
Data: STRATMOR Group 2022 Borrower Experience Index

Unreasonable and repeated document requests

Digging deeper, we find that, if borrowers found the document requests to be unreasonable, it significantly damaged their experience.

While only 9% of borrowers considered document requests unreasonable, it caused the most significant impact to borrower experience of any other phase in the mortgage process - a drop in NPS of 70 points.

Repeated document requests were more common but less damaging. 36% of borrowers had to provide documents they had already provided, but this had a less damaging effect — a drop in NPS of 11 points.



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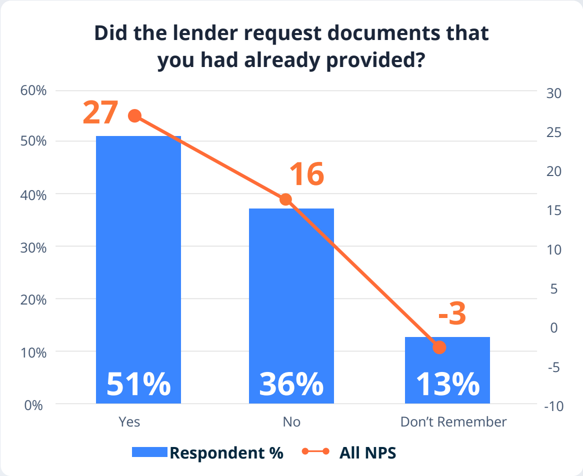


Data: STRATMOR Group 2022 Borrower Experience Index

The Commentary: What to do next

While lenders could focus on improving how borrowers perceive the processing phase of the mortgage transaction, this is likely one of the most difficult to improve and uphold consistently because it all comes down to one thing: communication with the borrower.

As lenders know, having the most updated documents — and receiving them quickly — is critical for the underwriter to approve a loan and ultimately get the borrower into closing. As a result, it's common to request multiple iterations of documents, such as a change in employment or receiving a gift. So, it makes sense that many borrowers had repeated requests.

If the borrower doesn't properly understand this expectation, they likely perceive the new document requests as unreasonable and are dissatisfied with this phase in the mortgage transaction. This dissatisfaction is likely exacerbated by the fact that they have already provided documentation during pre-approval and the application.

Unfortunately, we have not observed major technologies that enable lenders to provide a simple, streamlined process like the application. In the absence of a technological solution, lenders may look to better train their loan origination teams to ensure they are setting the right expectations with borrowers and guiding them the best they can. To do so, lenders may look to their internal training departments to begin training or accelerate the initiative with consulting firms like STRATMOR Group, whose Mortgage CX Program can help create transparency of the loan process and leverage strategies and best practices from best-in-class peers. While this will require consistent work to implement as teams change, it can yield a measurable improvement in the overall borrower experience — even if only for a subset of borrowers.

This is the final phase of the mortgage process

The Closing Phase

The last, and often the most memorable, phase in the borrower's journey before they get the keys to their house (or their new rate) is the closing. This emotive step can also be the most complex, surfacing various areas where the borrower's satisfaction can be impacted.

Summary

The pre-closing and closing phases of the loan journey are where lenders have the most opportunity to improve borrower experience and can realize a quicker return on investment with technology. The research surfaced many areas the lender can focus on improving, each of which make a measurable impact on the borrower's overall experience. Unlike the application and processing phases, the pre-closing and closing phases afford lenders the opportunity to leverage technology to quickly and sustainably improve borrower sentiment.

In this study, borrowers were asked a series of questions around both preparedness for the closing and the closing itself:

1. How prepared did you feel about the closing?
2. Did you preview your documents?
3. How easy was the closing event?
4. Did you have any issues with the closing?

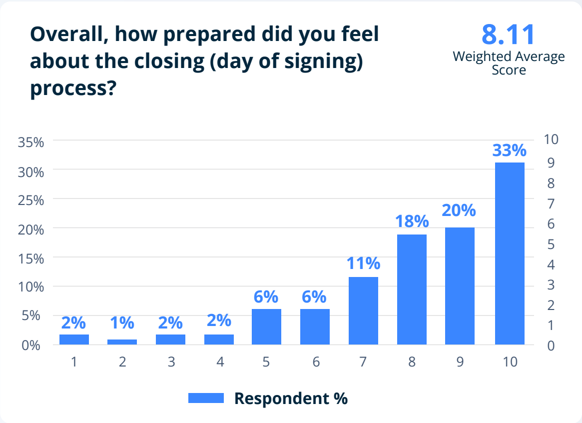
The Data: The root causes and impact

Preparedness for the closing

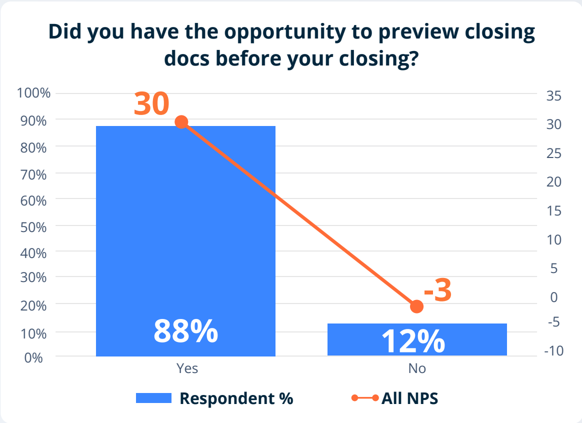
Lenders are doing a good job at preparing most of their borrowers for the closing today; however, if they are not prepared it can cause significant impact to their overall experience.

On average, borrowers rated their level of preparedness an 8.1 out of 10, which is a higher score than the "ease" of the application and processing steps.

That said, the subset of borrowers that did not feel prepared had a significant damaging impact. If borrowers did not have the opportunity to preview their closing documents, it caused a significant 33-point drop in NPS. Additionally, if they didn't have enough time to preview their documents, it caused an even more significant 55-point drop in NPS.



Data: STRATMOR Group 2022 Borrower Experience Index

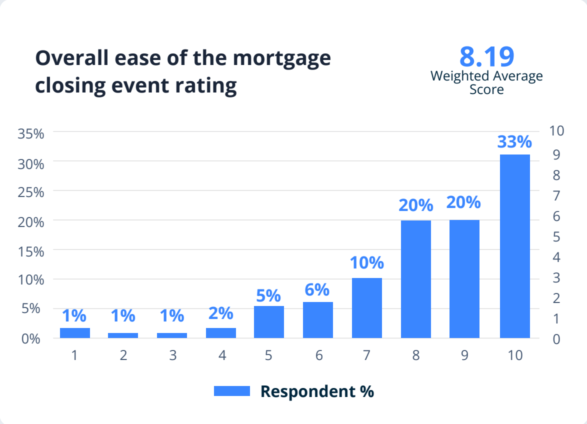


Data: STRATMOR Group 2022 Borrower Experience Index

Closing event

The study surfaced that the closing event can be particularly polarizing in terms of borrower experience.

On average, borrowers consider the closing event easier than the other phases of the process — rating this step an 8.2 out of 10. Given the closing event is largely signing the closing documents, if the borrower does not experience issues, it would be the easiest phase in the process.



Data: STRATMOR Group 2022 Borrower Experience Index

However, if borrowers experience issues at the closing event — which more borrowers did compared to other phases — it can be particularly damaging to their overall experience. For the 38% of borrowers who experienced closing issues, it caused a 34-point drop in NPS. The issues cited were:

- **Errors:** If closing documents were missing or inaccurate
- **Delays:** If the closing didn't start on time
- **Preparedness:** If the paperwork was confusing (a different measurement than above)
- **Expectations:** If the interest rate or fees was not what they expected

Cited Issue (In order of "Damage")	Damage (NPS Impact)	Frequency (% borrowers)
Errors: Documents were missing	-13pts.	7%
Expectations: The interest rate wasn't what the borrower expected	-11pts.	12%
Errors: The information on the documents were innacurate	-6pts.	6%
Delays: The closing didn't start on time	-5pts.	11%
Expectations: The fees were not what the borrower expected	-3pts.	12%
Preparedness: The paperwork was confusing	-2pts.	14%

The most damaging and frequent issues were related to errors and expectations. Borrower experience is most severely impacted when errors occur, dropping NPS by a combined 19 points. The most borrower issues were related to interest rate and fee expectations, which is also the second-most damaging.

The Commentary: What to do next

In a down market, lenders may not have the luxury of investing widely across the loan process. To create the most immediate and impactful lift in customer experience, the areas of pre-closing and post-closing appear to offer the most opportunity and the greatest return. Lenders can create this lift by focusing on both the technological and the personnel impacts on customer sentiment, which in some cases require an evaluation of their tech stack, and in others require a critical look at process design, customer feedback collection, and internal reporting.

Many lenders have already begun to deploy digital closing and closing-adjacent technologies to address these areas of concern. According to STRATMOR Group data, close to 50% of lenders have implemented digital closing and closing collaboration technology.[2] While more lenders have the opportunity to leverage technology in this phase of the process compared to the application, the technology offers a similar benefit and return on customer sentiment: lenders can provide a faster and more streamlined closing process. With the ability for borrowers to preview documents, they may be better prepared for the closing and catch any unresolved errors. Additionally, digital closing and closing collaboration tools provide lenders the ability to schedule the closing appointment and immediately route documents, thereby reducing delays, and may even automate QC processes to further reduce errors.

While technology can greatly assist lenders, it likely isn’t the be-all-end-all. Similar to processing, closing will require process improvements and training, such as ensuring the borrower understands the fees and interest rates going into closing or promptly answering borrower questions regarding the closing documents. In short, improved technology and processes will only stick if lenders can also improve communication.

All in all, if lenders get the closing right, it can provide significant return and even make up for miscues earlier. Not only could lenders find an increase of up to 33 points in NPS if they only improved one of these opportunities, but also improve the final, important, and emotive part of the mortgage transaction for borrowers. With less issues, the closing can leave a lasting positive impression and generate positive overall satisfaction — and likelihood to promote the lender — down the road.

2 STRATMOR Group Technology Insight Survey 2021

Conclusion

Defining a Great Borrower Experience for Your Organization

The study surfaced that lenders have a significant opportunity to improve the borrower experience, and more importantly, where to focus. With 1-in-5 borrowers experiencing issues in the mortgage process, and the most opportunity to improve in document collection and the closing, it provides a good indicator where lenders may start.

But to properly ensure lenders see the greatest and quickest return on investment, lenders should look to evaluate their organization's performance to industry benchmarks like these.

If lenders only rely on internal surveys — as many lenders do — or alternatively only rely on this benchmark, it will create blind spots that can misrepresent where to invest time and resources to improve the borrower experience. For example:

- A lender's survey may show an 8/10 average loan originator satisfaction score and celebrate that as evidence of a job well done, when in fact, their performance is in the bottom 50th percentile of peer lenders.
- Alternatively, a lender may deprioritize the application phase given this industry benchmark, when in fact the internal survey would have signaled to spend more time on improving originator satisfaction.

Using the 7,000+ borrowers surveyed for this report and a lender's self-evaluation, lenders can best identify the key areas to improve upon and actions to begin improving borrower experience. The data summarized here can be broken down to highlight the industry average, 90th percentile, and best-in-class customer sentiment for each phase of the mortgage transaction to compare how specific lenders perform compared to their peers and their own internal evaluation.

Lenders looking to jumpstart their process can take advantage of a personalized insights report offered by Snapdocs and STRATMOR Group. This report will identify how your organization perceives your performance across the phases of the mortgage transaction, identify where you rank against industry benchmarks, and ultimately highlight what your organization can start doing today to make meaningful improvements when it comes to borrower experience.

To Get Started

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About STRATMOR Group + Snapdocs

About Snapdocs

Snapdocs is the mortgage industry's leading digital closing platform. Powering millions of closings each year, Snapdocs combines an open platform, patented AI technology, the largest settlement network, and a team of industry experts to ensure digital closing success. Our proven approach enables market-leading lenders and title companies to automate the closing process and turn it into a competitive advantage. Using Snapdocs, lenders and title companies close more loans at lower costs while delivering the modern, referral-worthy digital experience borrowers expect. For more information, please visit www.snapdocs.com.

About STRATMOR Group

STRATMOR Group is a leading mortgage industry advisory firm that provides a range of programs and services designed to counsel lender CEOs and senior executives. STRATMOR serves more than 250 companies annually, providing strategies that increase growth and improve profitability in sales, marketing, technology, operations and mergers and acquisitions. The company leverages comprehensive, proprietary data and key insights gained through extensive experience in the mortgage industry. STRATMOR is well known for its financial models and its collaboration with the Mortgage Bankers Association in the PGR: MBA and STRATMOR Peer Group Roundtables Program. Find out more about STRATMOR on its website at www.stratmorgroup.com.

Appendix: NPS Overview

STRATMOR Group and Snapdocs chose to utilize Net Promoter Score (NPS) in order to generate more granular, comparative benchmarks for borrower loyalty and satisfaction across the mortgage transaction.

NPS generally determines how likely a customer is to recommend the product or service to a friend or colleague - in this case financing a mortgage with a lender. NPS is considered the gold standard for customer experience metrics and is typically used to measure customer loyalty to a company and predict business growth.

NPS measures customer perception based on one question: “How likely is it that you would recommend [organization/product/service] to a friend or colleague?” on a scale of 1-10.

- Promoters rate this answer a 9 or 10 and are considered loyal and enthusiastic customers.
- Passives give a score of 7 or 8 and are considered neutral customers. They’re satisfied, but are not happy enough to qualify as promoters.
- Detractors respond with a 6 or below. These customers are considered unhappy and unlikely to buy from you, and may discourage other customers from buying from you.

In this survey, the average NPS score across lenders is 20. About half of consumers (46%) were promoters, or more generally so delighted with their mortgage journey that when asked their likelihood to recommend the lender to a friend colleague. On the opposite end, just over a quarter of respondents (27%) were detractors. The remainder (28%) were passives.

Generally, an overall score of 20 highlights there is enough positive sentiment to tip the scales towards recommendation versus badmouthing, but with room for improvement. While there are differing ranges typical to specific industries, it’s generally accepted that anything above 0 is considered “Good” while a score of 30-70 is considered “Great” and 70 to 100 is scored as “Excellent.”