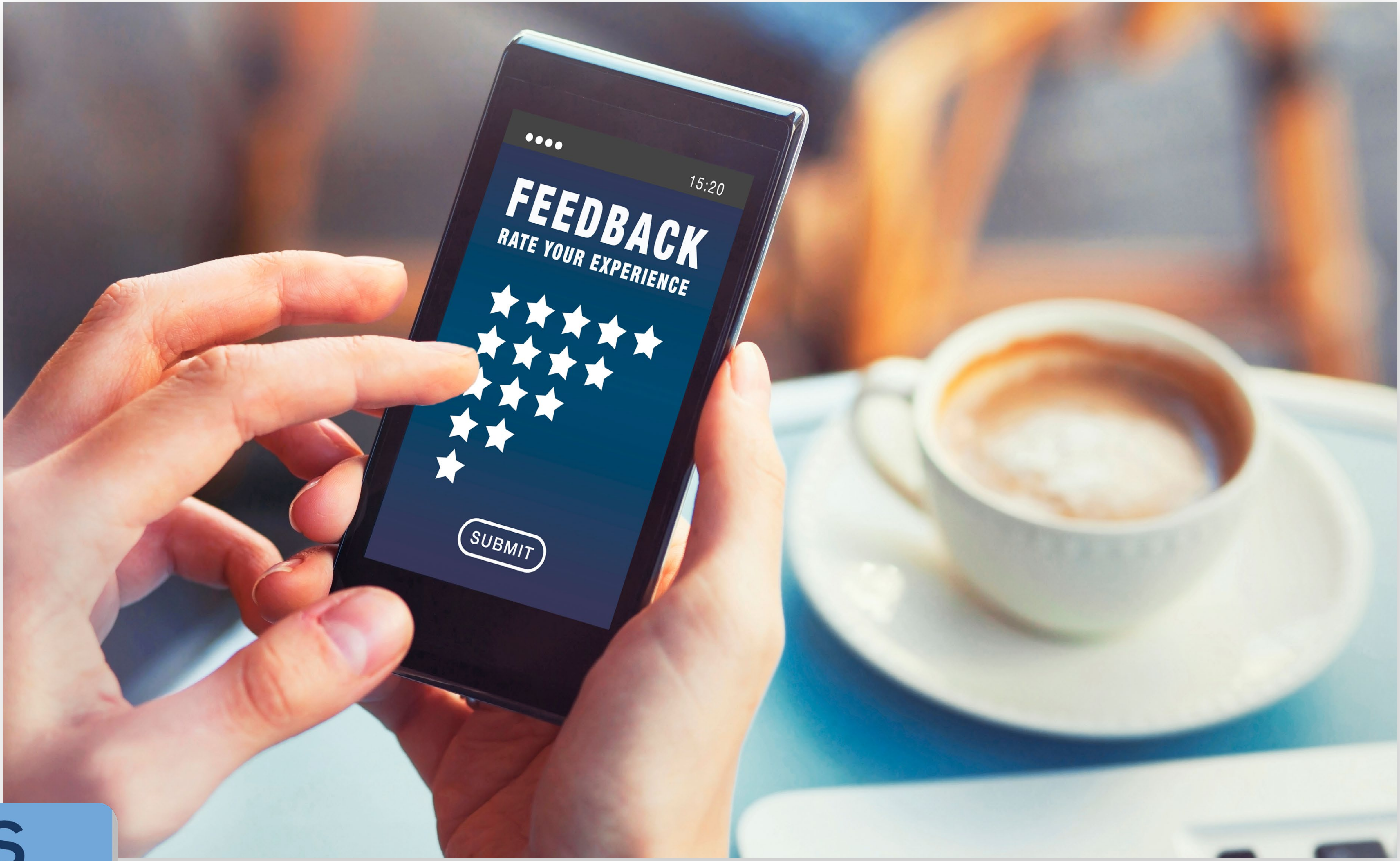
BEST PRACTICES FOR IMPROVING CUSTOMER SERVICE IN MORTGAGE SERVICING



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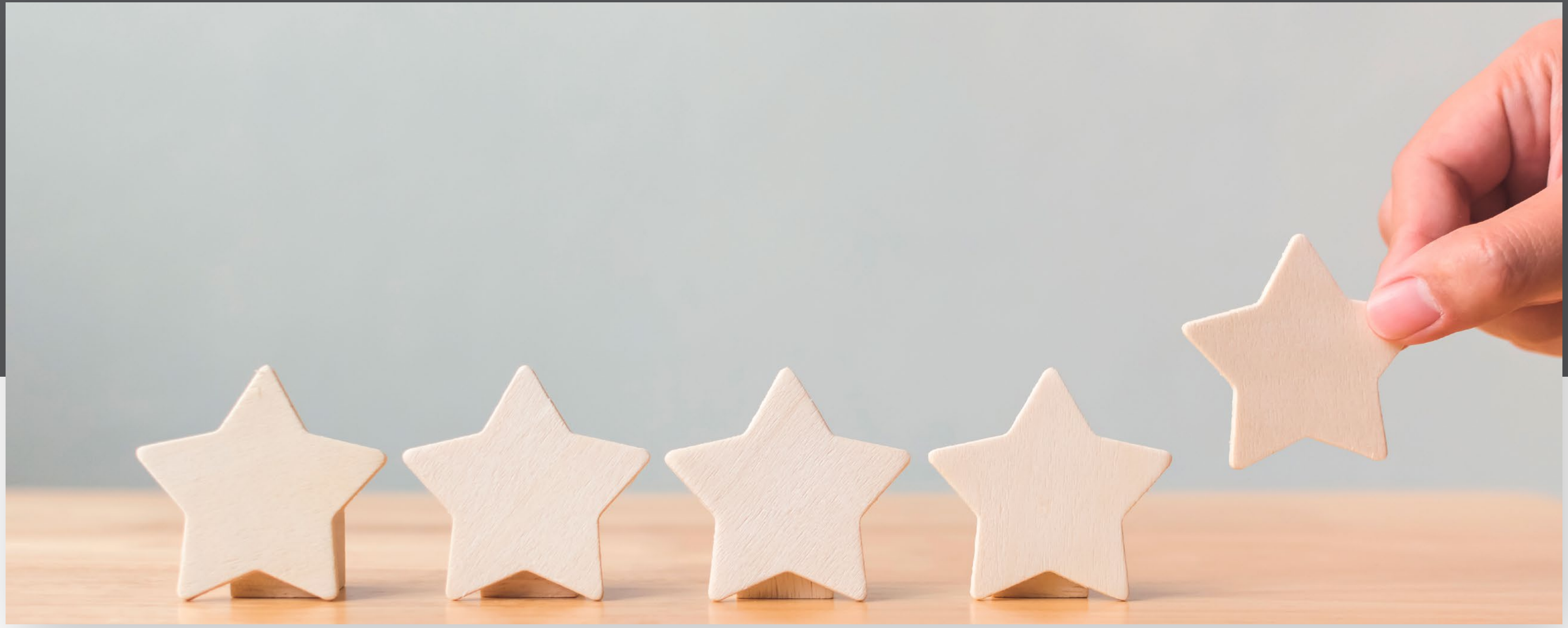


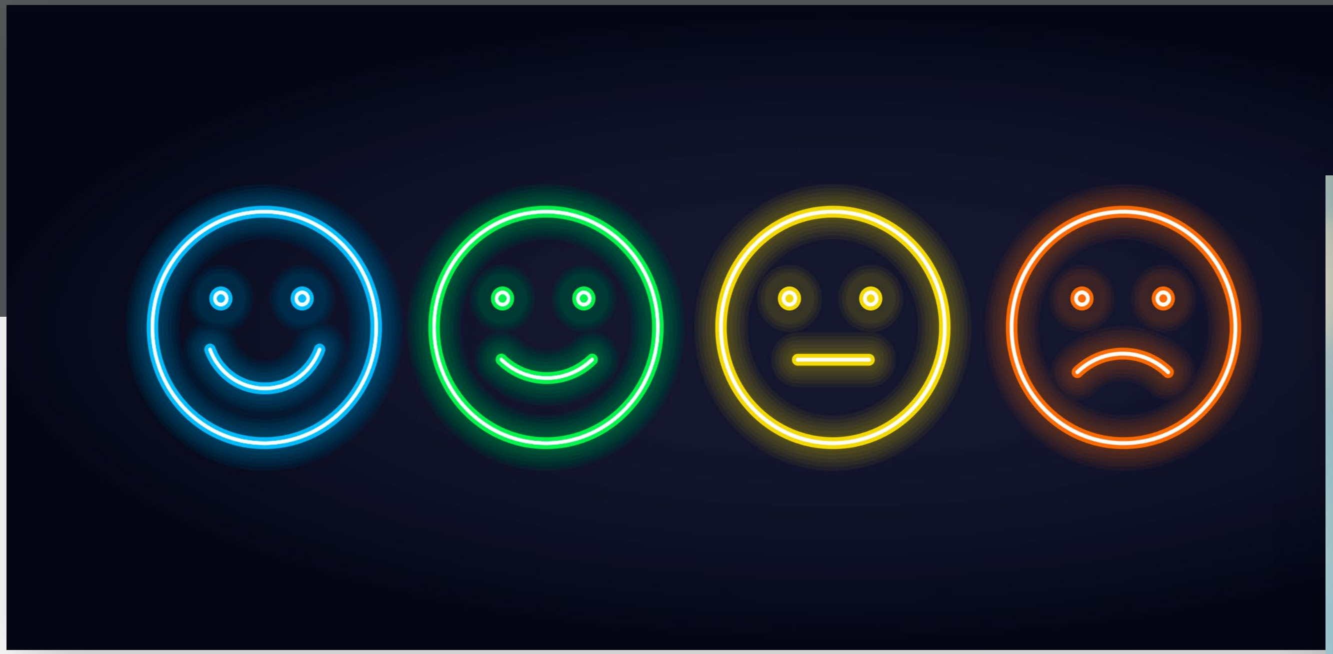
INTRODUCTION

Consumers have spoken, and the results are not good for mortgage servicers. According to J.D. Power's 2019 U.S. Primary Mortgage Servicers Satisfaction Study[SM], average overall consumer satisfaction with mortgage servicing ranks among the lowest of any industry at 777 on a 1,000 point scale. To put this in perspective, the two industries sandwiching servicing in this study are life insurance (779) and health plans (712).

What's more, mortgage servicing's average Net Promoter Score (NPS), a measurement of customer loyalty on a scale from -100 to +100, is 16, which is also among the lowest of any industry. For comparison's sake, Amazon's NPS is 62, and Tesla's is 96.

Clearly, there is work to be done to improve consumers' perceptions of their mortgage servicer and not just for the sake of survey rankings and optics.

High customer satisfaction and loyalty quite often translate into referral and/or repeat business. Servicing represents a potential 30-year asset that requires significant investment on the front end to obtain. If consumers are dissatisfied with the service they are receiving after their loan has closed, they have very little reason to reach back out to the origination side of the house when the time comes to refinance their current mortgage and/or purchase a new home.



INTRODUCTION

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The customer service aspect of mortgage servicing is still new to the industry, relatively speaking, thanks to the provisions of the 2012 National Mortgage Settlement. Since then, the industry has made great strides in making the shift from a transaction-based industry to one focused on service, but as the results of this survey indicate, there are still improvements that can be made.

To that end, here is a list of some of the best practices lenders can employ to improve service levels for borrowers and turn the tide of consumer opinion on mortgage servicing.

BEST PRACTICES

1. ENHANCE BORROWER OUTREACH

Engage in proactive, flexible borrower outreach. While this becomes especially important in the event of a natural disaster, contacting borrowers well in advance of actions that may occur in the course of servicing their loan helps ensure borrowers never feel blindsided by their servicer. Furthermore, not every consumer has access or responds the same way to the same communication channels. Therefore, servicers must be flexible enough to communicate with borrowers through a variety of channels (phone, email, written mail, etc.) and configure their systems to track and record borrower outreach using a multi-channel strategy.

2. OFFER CONSUMER EDUCATION

Offer consumers easy-to-understand education resources to better inform them about their mortgage. As servicers well know, the life of a loan does not end at closing, and even though the goal is for every consumer to reach the closing table feeling empowered and educated about the financial commitment they are about to undertake, that expectation does not always match up with reality. Continuing the education process through servicing gives consumers a sense that the servicer is there to help rather than to hinder or punish, thus hopefully engendering goodwill with the consumer.

BEST PRACTICES

3. IMPROVE STAFF TRAINING

Provide customer service training for borrower-facing staff. As mentioned previously, there is more to mortgage servicing these days than simply collecting and tracking mortgage payments. Preparing call center or other front-line staff to interact with borrowers that may be highly emotional already ensures that bad feelings are not inadvertently escalated by poor service.

4. CHECK FOR SAVINGS

Check for opportunities to refinance and/or reduce the borrower homeowner's insurance premium. There is a reason the saying, "A bird in the hand is worth two in the bush," has stood the test of time. If given the choice, keeping a customer is always preferable to constantly chasing new business. Servicers can help themselves retain the servicing asset and improve borrower satisfaction by looking for opportunities like these to save their borrowers' money.

BEST PRACTICES

5. TRACK LIEN RELEASES

Track the recording of lien releases. Nothing zaps consumer confidence in mortgage servicing faster than finding out that there is an open mortgage still on their property because the previous owner's servicer failed to ensure the Release of Lien was, in fact, recorded. Most servicers have controls in place to ensure this document is sent to the local recording office at payoff, but servicers must follow this process all the way through to ensure that document recording took place.

6. REDUCE TRANSFER ERRORS

Tighten up loan transfers to reduce errors. Through its recent enforcement actions, the Consumer Financial Protection Bureau (CFPB) has made it clear that it holds both parties in a loan transfer responsible for any negative impact a consumer experiences as the result of a bad transfer. Therefore, whether they are sending or receiving a loan, servicers on both sides of the transaction need to conduct their own due diligence and put controls in place to ensure this process runs smoothly.

7. ADD SECONDARY SIGN-OFF

Implement secondary sign-off for automated activities, like tax payments. All servicing systems include automated functionality for recurring functions like escrow payments, in-escrow analysis and tax payments. However, implementing a secondary sign-off process with management for these activities helps prevent mistakes in managing borrowers' funds while providing additional validation to the CFPB and other regulatory agencies that the primary controls (i.e. automated task management by the servicing system) are functioning properly.

IN CONCLUSION

Mortgage servicing is not just a regulatory imperative. It is mission-critical to lenders' ability to retain the multi-decade asset they've worked so hard to secure. While this list is by no means exhaustive, these best practices represent a solid starting point for improving service levels in mortgage servicing. Implementing these changes can go a long way to changing consumer attitudes regarding servicing for the better and possibly cultivate loyalty that pays dividends well into the life of the loan.

ABOUT SUBSEQUENT QC

Subsequent QC (SQC), a sister firm to Mortgage Quality Management & Research (MQMR), is a premier provider of servicing quality control audit solutions for mortgage lenders and servicers.

With extensive experience in loan-level servicing QC, servicing/sub-servicing operational reviews and general servicing advising, SQC helps its clients climb higher by bridging the gap between servicing risk and compliance. To learn more, visit subsequentqc.com. For those seeking origination audit, risk and compliance support, visit mqmresearch.com.