blend

# Thriving as a mortgage lender of the future

The mortgage industry is reliably unpredictable. From swings in annual volume to changes in how and where our workforces work to the ever-evolving expectations of consumers, forward-looking lenders are limited to one certainty: they should always be prepared to adapt to change.

More to the point, trying to implement strategies based on market predictions can be ineffective. In both 2020 and 2021, market predictions had to be revised as global events upended previous forecasts. While those are recent and striking examples, they're hardly the only ones.

Instead of peering into crystal balls, it is time for lenders to focus on tools to help them succeed regardless of market conditions.

With the right tools, these ever-changing conditions in the mortgage industry can be reframed as opportunities for those who are reimagining the homeownership journey, using best-in-class technology to win the customers of today and tomorrow while establishing their companies as mortgage lenders of the future.

In the following chapters, you'll gain the tools to:

- Practice agility to navigate whatever lies ahead
- Grow lifetime value with customer-first experiences
- Empower loan officers to be constant drivers of value
- Embrace the end-to-end mortgage to prepare for the future

This guide can help you create an action plan to thrive in any market.

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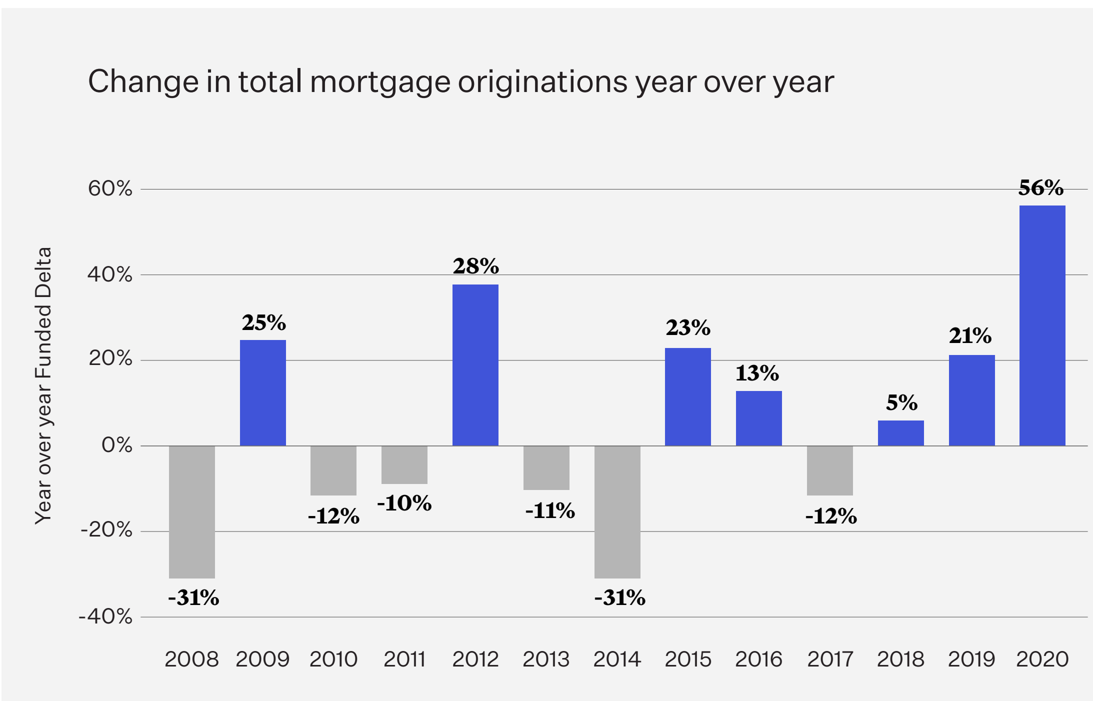
# Practice agility to navigate whatever lies ahead

While the pandemic was the most recent major event to hit the mortgage industry, it was not the first that contributed to swings in the market. Looking at the number of mortgage originations in the past 12 years, it becomes clear just how much volatility occurs from year to year. These swings make it difficult to predictively adjust staffing levels, leading to cycles of hiring and firing as demand ebbs and flows. Even when demand explodes, lenders can become capacity constrained and struggle to keep up, often paying out overtime, bonuses, and other incentives to keep up with the demand.




Source: This graph shows the approximate annual change in mortgage originations year-to-year based on Blend's analysis of HMDA data.

Most recently, we've seen a combination of high demand and low inventory on the market. On the demand side, more applicants, many of them first-time homebuyers or millennials, are in the market for a home. On the supply side, low inventory is a complex problem to solve, at least in the short term. From lumber to labor, there are limitations on how quickly new construction can scale up regardless of the glut of demand. Meanwhile, institutional investors are entering the market, further bolstering demand. This has implications throughout the industry. With a smaller pie and a hungrier market, the intensity and competition heat up as lenders have to differentiate, attract the best loan officers, strengthen referral partnerships, and close loans quickly to remain successful.

More intense competition can translate into lower efficiency for loan officers. The rate of funded loans to applications can go down as more applicants bid for the same limited supply, and a loan officer's time and energy will result in fewer funded loans. The silver lining, however, is that the same focus on efficiency can serve lenders in all market conditions — even when supply outstrips demand.

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*The Republic Bank team reduced turn times by 17%, while doubling output with a flexible platform.*

***Find out how.***

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## Action plan

No matter what the market conditions are, it's essential to be equipped to shift gears quickly as new challenges and opportunities present themselves. The first step is to assess what you already have so you can shore up gaps and double down on what's working.

Create an "agility playbook." Assess different market scenarios and how you might position yourself against your competition in each one. Then, identify the resources that would be required for you to compete in each of these scenarios. Determine how many of these resources you have in place today and where they are gaps in terms of people, process, and tools.

## Next Steps

- [ ] Assess different market scenarios and how you can position yourself against the competition in each one
- [ ] Identify which resources are required to compete in each scenario
- [ ] Identify the gaps you need to close in terms of people, process, and technology

# 02 Grow lifetime value with customer-first experiences

Consumer expectations are constantly evolving. What remains fixed, however, is the influence that non-lending consumer experiences have on the mortgage industry. These experiences are redefining what it means to be customer-centric: personalized content to meet a customer's niche interests; being able to purchase almost anything quickly and securely with the click of a button; the examples are limitless.

Mortgage lenders — indeed all businesses — could learn a lot from what these companies have achieved: success follows a relentless dedication to customer service, a forward-thinking embrace of technology, a laser-beam focus on the future, and an ability to innovate quickly and learn from mistakes.

So what can you do to move your company forward? Perhaps the most important part is focusing on what your customers want. And right now, customers want flexible help available to them — whether that be digitally or in person.

***Meet consumers where — and when — they are***

*"Over half of borrower activity occurs outside business hours. Offering flexible service around the clock is a key component of a customer-first experience."*

Source: Blend data

According to a 2020 Discover survey, consumers were evenly split between those who want to go digital and those who want in-person assistance. “50% of homeowners now say they prefer securing financing online – compared to 43% before the pandemic – while the preference for in-person application has dropped from 57% to 50%.”

The National Survey of Mortgage Originations (NSMO) had similar findings. In that survey, over 40% of respondents felt that having a paperless mortgage process is an important factor in choosing a lender.

Improving customer experience, whether through seamless digital applications or personal attention, may also be a way to differentiate yourself from your competition. As crucial as lenders recognize borrower experience to be, the Stratmor Group found that few are actively improving the experience their customers have with their products. They found that “while 82% of organizations agree that CX offers a competitive edge and 58% say it’s their primary differentiator, only 14% are intentionally applying ongoing focus to CX as a crucial part of organizational strategy.”

Avoiding complacency is key, especially in a world where consumer expectations are evolving so rapidly, and forward-thinking businesses are rising to the occasion to meet them. It can be easy to fall into the trap of assuming that what has worked thus far will continue to be enough in the future. Expectations are evolving and all customer experiences, even with financial institutions, are being held to the same increasingly high standards. Companies must continually pivot to meet the changing expectations of consumers or risk falling behind.

*“When consumers rate Blend’s product experience, the median rating is 9 out of 10.”*

Source: Blend data

## Action plan

To meet consumer expectations, invest time in understanding the shifting needs of your customers. Understand where and how your customers want to interact with you, and optimize those paths. For direct-to-consumer channels, enable prospective borrowers to view the latest rates before starting a full application. Provide self-serve options and enable consumers to obtain a pre-approval letter in a single flow. These speak to the needs of consumers who want immediate results and feel pressure to act quickly in this highly competitive market.

For consumers that want a more guided experience, consider a co-pilot feature that enables loan staff to lead borrowers through the application directly, bringing a human hand to the digital application experience. In all cases, measure your success and iterate on the consumer experience to make it better.

## Next Steps

- [ ] Define the balance between high tech and high touch that would best fit your customers
- [ ] One size doesn't fit all — provide solutions that meet the varied needs of your consumers, including self-serve and guided options
- [ ] Continuously iterate on customer experience to optimize it

03

# Empower loan officers to be constant drivers of value

With its paper-heavy legacy and complex processes, the mortgage industry can sometimes lag behind other industries when it comes to meeting rising consumer expectations. The key to success will be meeting and exceeding those expectations, and one step in that direction is to empower loan teams with technology that makes a combination of high-tech and high-touch service possible.

Today, loan officers are forced to bounce between numerous systems with varying levels of integration in order to originate a loan and communicate with stakeholders. This patchwork approach is time-consuming for loan officers and makes it difficult to standardize processes across an entire team or organization. The time it takes to complete loan manufacturing tasks is time that loan officers could spend with clients or prospects, and the lack of uniformity can lead to issues downstream, such as an increased number of underwriting touches, which can, in turn, lead to poor customer satisfaction.

To enable your loan officers to dazzle borrowers, give them tools that amplify their skills and reduce the amount of time they spend on administrative tasks.

## These include:

**The ability to be productive from anywhere**
Loan teams can be most effective — and happiest — when they have flexibility built into how and where they work. Arm them with cloud-based tools that enable loan officers to quickly structure loans or update an approval letter on the fly.

**Data-driven workflows augmented by artificial intelligence**
Replace manual, paper-based processes with data- driven workflows. By cutting down on the time loan officers need to spend on processes, you unlock their ability to connect with customers and find new business.

**Automated verification and compliance checks**
Replace documents with direct connections to financial data sources. Cloud banking platforms can confirm data accuracy through automated checks with third parties that verify identity, assets, employment, and income. Credit pulls and identity checks can occur in real-time, as well, saving valuable time for both loan officers and borrowers.

**Cleaner data from start to finish**
Reduce the risk of fraud and errors while cutting down on manual work for your loan teams. Beyond efficiency, automation can "clean up" the inputs of an application, which in turn can mean fewer delays — and hours spent — toward the end of the process.

Automating key areas of the origination workflow and providing "on-the-go" tools for loan officers can free them up to be the guides that consumers seek. Having the time to nurture these relationships with consumers, be they current applicants or prospects, can have a positive impact on customer experience.

"Loan officers can and need to be so much more than master paper processors," notes Head of Blend Nima Ghamsari. "Consumers will see them as trusted advisors who guide them through the biggest purchasing decision of their life. By removing friction and providing transparency, lenders can build trust and increase the likelihood of closing a loan."

***Ditch the paper chase***

*When Marketwise Advisors LLC surveyed Blend's customers, they found that loan officers using Blend reported saving 11.9 hours per loan and shortened the loan cycle by 7.3 days. That's more than one full business day per loan that loan officers can use to focus on existing customers or develop new business.*

Source: MarketWise LLC

## Action plan

Help your loan teams meet and exceed consumers' expectations by taking the time to understand how and where they do their best work. Identify and solve for their pain points. What friction are they experiencing on the ground that you can help minimize?

Then, building on the consumer insights you gained in the previous chapter, create optimized loan officer workflows that cater to these evolving expectations. Consider tools that enable them to be productive from anywhere, as well as tools designed to improve the borrower experience. Combined, these can provide a more efficient and better - received origination process.

## Next Steps

- [ ] Get a better understanding of how to help your loan teams do their best work
- [ ] Develop more optimized workflows that address the identified pain points for staff
- [ ] Look for technology that can improve both loan officer and customer experiences

# 04 Embrace the end-to-end mortgage to prepare for the future

To keep up with consumer expectations, lenders should consider moving away from partial service models and embracing an end-to-end model for their digital mortgage offerings. Focusing on the complete mortgage experience can help provide a better customer experience while allowing lenders to gain insights into their business and improve how they serve their customers.

An end-to-end digital mortgage solution can help your loan teams quickly adapt to meet market demand by automating steps in the origination workflow and improving efficiency. Likewise, technology like this can enable you to ensure a consistent user experience across your entire suite of offerings.

These platforms also allow for more robust self-serve offerings for consumers through the use of guided application flows and data pre-fill, reducing the amount of time your staff needs to spend with these applications while enabling consumers to apply wherever — and whenever — they are.

An end-to-end mortgage is designed to provide a seamless digital experience for borrowers from the start of the application to the signing of the closing documents. In addition, lenders can take advantage of an extensive ecosystem of partners and integrations that allow them to verify assets and uploaded documents, offer partner services through an integrated marketplace, and more while providing customers a single, cohesive interface.

Consumers benefit from a simplified process applied across every step of their homebuying journey. Intro tasks like submitting the initial application, mid-funnel tasks like document verification, and finishing steps like closing and notarization can all be completed within a consistent, user-friendly interface. Lenders benefit from being able to better measure performance, reduce errors through automation, and communicate status to borrowers and other stakeholders, all on one unified platform.

For loan officers, an end-to-end mortgage can mean more time spent in the role of advisor and less in the role of paper processor. The automation of key steps in the process frees up time to focus on customers.

For the back office, measuring success becomes easier. Metrics such as application completion percentage or pull-through rate can still be measured alongside data about consumer behavior during the application process, how they experience the application process, and what percentage of people are connecting their assets. Armed with this valuable information, lenders can continually iterate on and improve their borrower experience.

Mortgages as one-and-done transactions may be a thing of the past as lenders begin to develop the capabilities to build deeper relationships with borrowers that extend beyond the purchase of a home to include other important life milestones and the financial products that make them possible for many consumers.

According to a 2021 research study by the Aite Group, fewer than one-third of first-time homebuyers stated they were very knowledgeable about any aspect of the homeownership journey. They still need and expect the guidance and advice that only industry professionals can provide. There's an opportunity for lenders to build out services for homebuyers as a way of differentiating themselves from their competition with a high-tech, high-touch experience.

In fact, 89% of prospective homebuyers surveyed by Aite would be interested in a one-stop shop for homeownership services if offered by their mortgage lender.  Two-thirds (66%) of prospective homebuyers were interested in accessing a recommended network of reliable and trustworthy contractors if provided by the lender. Services such as buyer education, assistance with moving, and others represent a new frontier for lenders looking to increase stickiness and capture business that goes beyond the mortgage.

## Action plan

To empower your loan team with end-to-end mortgage capabilities and nurture consumer relationships that last long beyond app submit, start by committing to an end-to-end service model. Identify gaps in your ability to provide seamless service across the entire mortgage process and develop strategies to fill them. When you're ready, connect with a trusted partner to identify the steps needed to implement technology that can help weave the disjointed process into a unified experience that builds deeper relationships with consumers.

## Next Steps

- [ ] Commit to moving toward an end-to-end service model
- [ ] Identify gaps in your ability to provide seamless service across the entire mortgage cycle
- [ ] Connect with a trusted partner to identify the steps needed to fill the gaps you've identified

# Executive checklist

**Action plan: Practice agility to navigate whatever lies ahead**

- [ ] Assess different market scenarios and how you can position yourself against the competition in each one
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**Action plan: Grow lifetime value with customer- first experiences**

- [ ] Define the balance between high tech and high touch that would best fit your customers
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**Action plan: Empower loan officers to meet new customer expectations**

- [ ] Get a better understanding of how to help your loan teams do their best work
- [ ] Develop more optimized workflows that address the identified pain points for staff
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**Action plan: Embrace the end-to-end mortgage to prepare for the future**

- [ ] Commit to moving toward an end-to-end service model
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Discuss your specific lending delivery roadmap with a commercial partner.

**www.blend.com/request-demo/**

## About Blend

Blend's cloud banking platform is designed to power the end-to-end consumer journey for any banking product from application to close. Our technology is used by Wells Fargo, U.S. Bank, and over 310 other financial services firms to acquire more customers, increase productivity, and deepen relationships. We strive to bring simplicity and transparency to financial services so more people can gain access to the world's financial resources. To learn more, visit **blend.com**.