

Borrowers Satisfaction Rises Amidst Market Correction

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Despite an unstable housing market, the mortgage lending industry endured through 2006 with overall satisfaction levels remaining stable, according to Westlake Village, Calif.-based J.D. Power and Associates' 2007 Primary Mortgage Origination Study.

"The survey is of people who ultimately get loans. The turmoil in the market centers around subprime, primarily, and there are some borrowers who have these loans who cannot afford them and are going into foreclosure or default as a result. When the turmoil hit the market in February and March of this year, we saw a decline in the amount of brokers and a decline in the percentage of borrowers that were going into subprime products," said Tim Ryan, senior director of the mortgage practice at J.D. Power and Associates. "When these two components decrease, there is a natural lift in satisfaction that occurs,"

A dip in the number of subprime borrowers meant fewer individuals who had difficulty in obtaining a loan—which could have negatively affected satisfaction levels. Consumers improved the quality of their experience when obtaining a mortgage by working directly with a mortgage lender instead of a mortgage broker or online service—it yielded a more positive experience when originating a home loan. These customers also experienced fewer problems.

"The percentage of borrowers working directly with their lender instead of through a third party has increased, which has helped maintain the stability of overall satisfaction since 2006," Ryan said. "This has also contributed to the average borrower experiencing faster approval and closing times—satisfaction goes up when things go faster. The responses we got were primarily from those who refinanced or got a new mortgage on a home between September 2006 and August 2007. As the market got worse, people went more toward the stability of a retail lender and they were more satisfied perhaps because they achieved getting a loan amid all this turmoil."

Wachovia, Charlotte, N.C., ranked highest among primary mortgage lenders with a score of 827 points on a 1,000-point scale. The average score was 750 points. Four key areas of mortgage origination were surveyed: problem resolution, interaction with loan representative, application approval and closing. Compared to 2006 results, Wachovia significantly improved in the closing process area in 2007.

Atlanta-based SunTrust mortgage ranked second with 818 points and Charlotte-based Bank of America ranked third with 760 points.

The importance of clear communication was also enforced by the study, especially when informing customers about the application process and also about the time that is required for approval. Customers who were provided with a time frame for approval provided reported satisfaction levels that were 112 points higher on average than customers who do not receive a projected time frame at all. Similarly, customers who received updates on the status of their loan scored lenders on an average of 209 points higher than customers who were not updated.

The loan approval process is more efficient when customers are provided with precise information about the documents that are required—including bank statements, pay stubs, W2 forms or tax returns. On average, more than one-third of all applications were asked to submit additional information after their application was submitted—often delaying the approval of the application. Such delays resulted in a 95-point decline in overall satisfaction among consumers.

"While it's true that borrowers with weaker credit and those seeking larger 'jumbo' loans experience longer approval times and requests for more documentation, satisfaction has remained steady among the 75 percent of mainstream borrowers with good credit applying for moderately sized loans," Ryan said.

Borrowers are primarily concerned with what their monthly loan payments would be and 70 percent of lenders provided an accurate estimate. However, 17 percent of borrowers were surprised with a higher monthly payment than what they were originally quotes—resulting in a 159-point drop in overall satisfaction. Closing cost estimates should also be more precise—12 percent of borrowers were surprised with additional fees in closing—leading to a decline in satisfaction of more than 220 points.

"Lastly, a lot occurred in the second half of the year that improved the experience of the borrower. It overcame the first half which was more negative and thus revealed a similar satisfaction level to 2006," Ryan said.