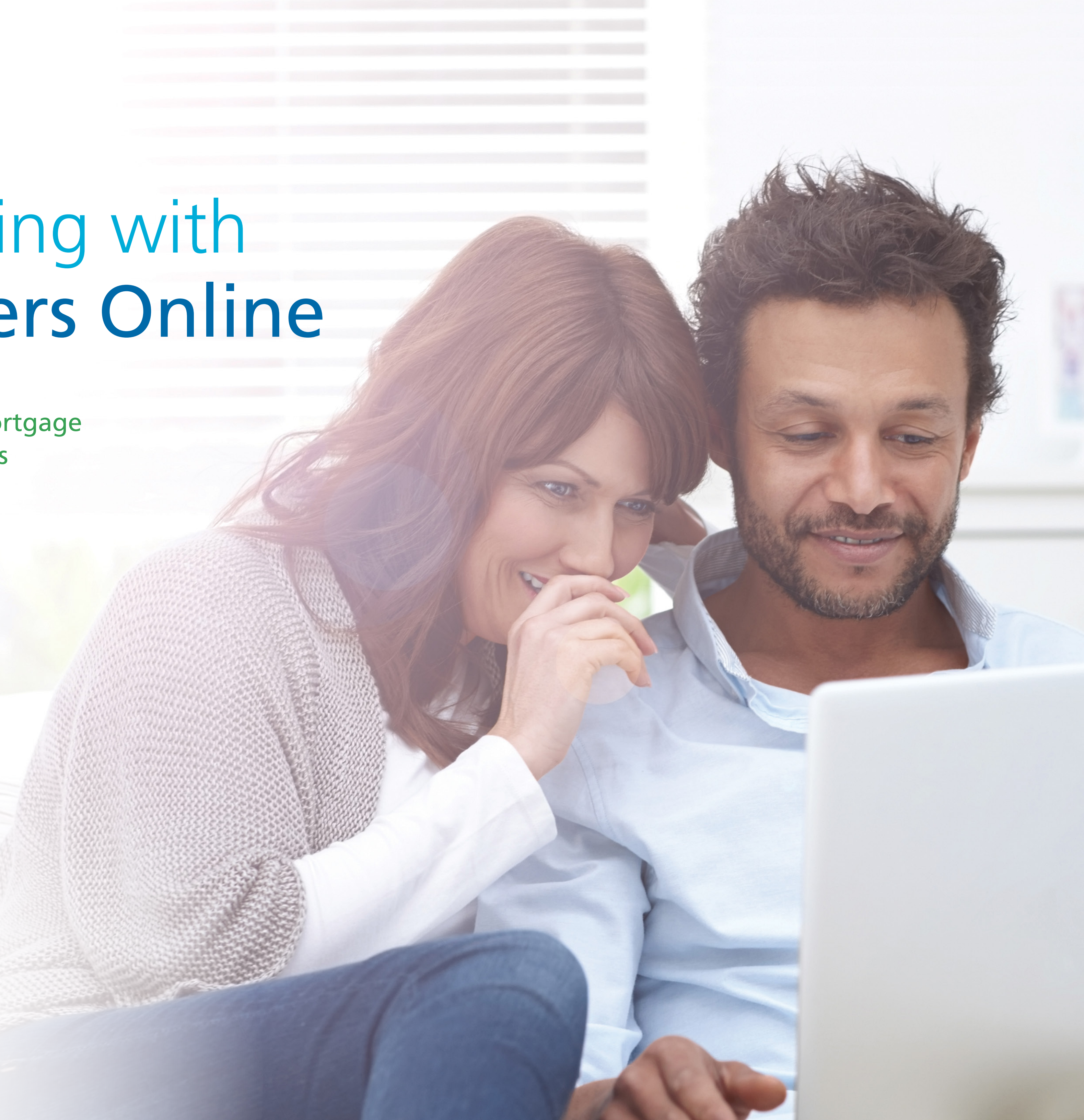
Connecting with Borrowers Online

A report on digital mortgage trends and preferences



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Summary

In the 10-year wake of the 2008 housing crisis, the mortgage industry has made a substantial recovery. During this time, the widespread adoption of digital mortgage solutions has increasingly improved the loan process for both borrowers and lenders. Web interfaces, online portals, automated loan processing and sales automation are becoming standard practice, and lenders with online business models are experiencing rapid growth.

Ellie Mae recently surveyed more than 500 mortgage borrowers to better understand how they use technology to get a purchase loan or refinance their existing mortgage. In this report, we offer concrete insight into what today's borrowers have been doing online – and what they would like to do online. Here are some of our key findings:

- Online loan activity is growing in every phase of the mortgage process from research and discovery to application, qualification and approval
- The vast majority of borrowers do online research before contacting a lender
- Web self-service is the preferred method of research and the most common form of interaction with lenders across all age groups
- Online loan process activities run the gamut from comparing options to completing applications
- Most borrowers today work with lenders who provide online portals for document sharing, an experience that is tremendously popular
- Some online activity profiles vary by age group as well as by purchase vs re-fi borrowers

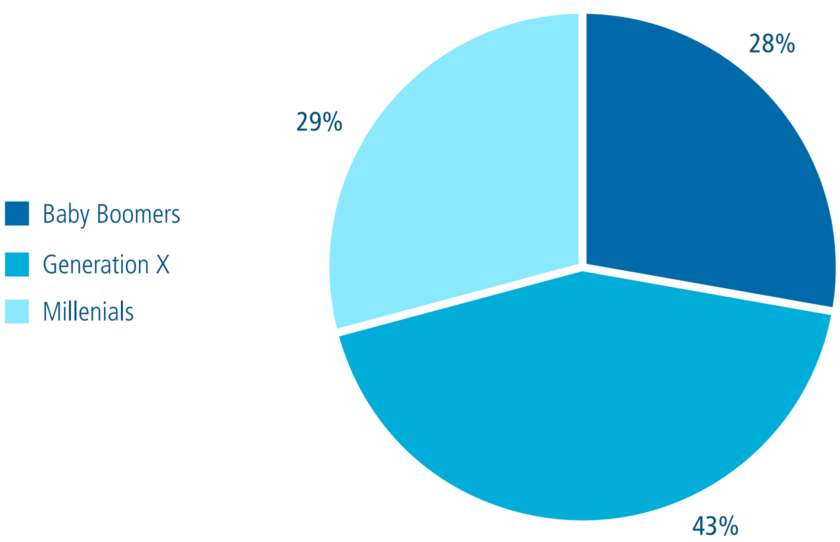
Web interfaces, online portals, automated loan processing and sales automation **are becoming standard practice**

Methodology

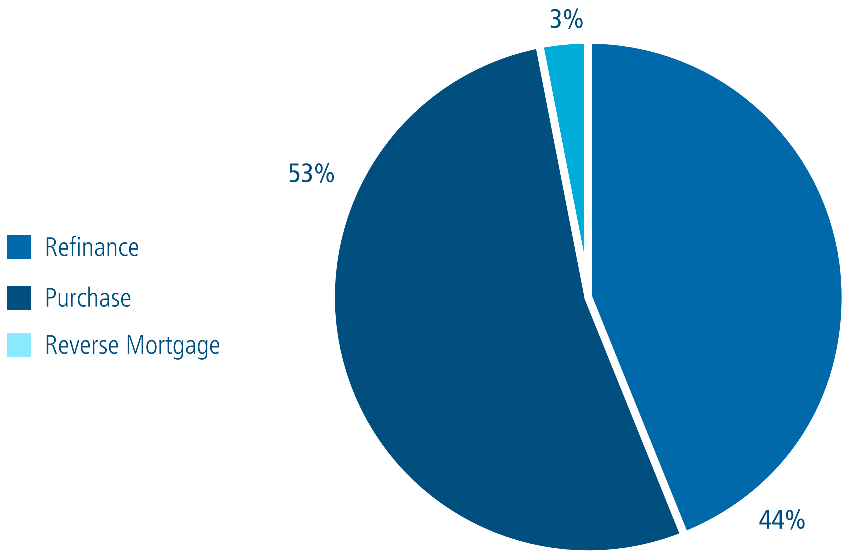
We surveyed more than 500 consumers who took out mortgage loans over the past ten years. Survey respondents spanned age groups from under 35 to over 55. Generation X borrowers (ages 35-54) comprised the largest group of survey respondents at 43%, followed by millennials (under 35) at 29% and baby boomers (55+) at 28%.

A majority of respondents obtained a purchase loan (53%), while most others refinanced (44%). The remaining survey respondents took out a reverse mortgage (3%). Of purchase loan consumers, 43% were first time homebuyers, 22% were relocating, and 13% described themselves as "move-up" buyers.

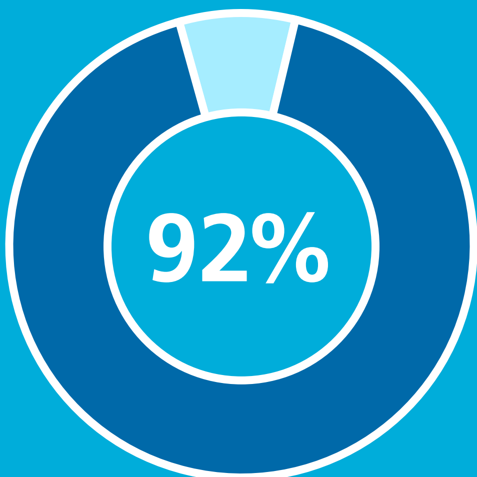
Borrower Generations



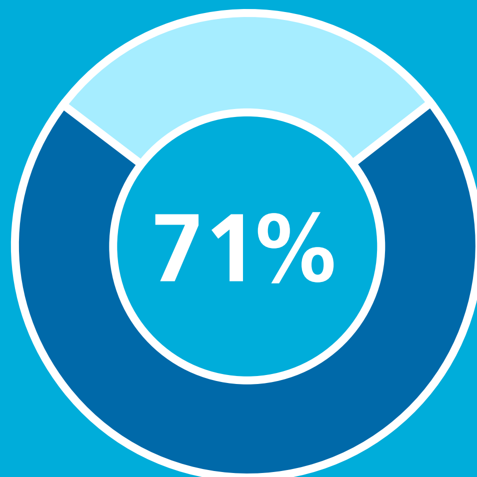
Loan Types



Digital Delivers Convenience



Within the past year, nearly all borrowers did online research prior to reaching out to lenders



Most borrowers worked with lenders who provided an online portal for sharing documents

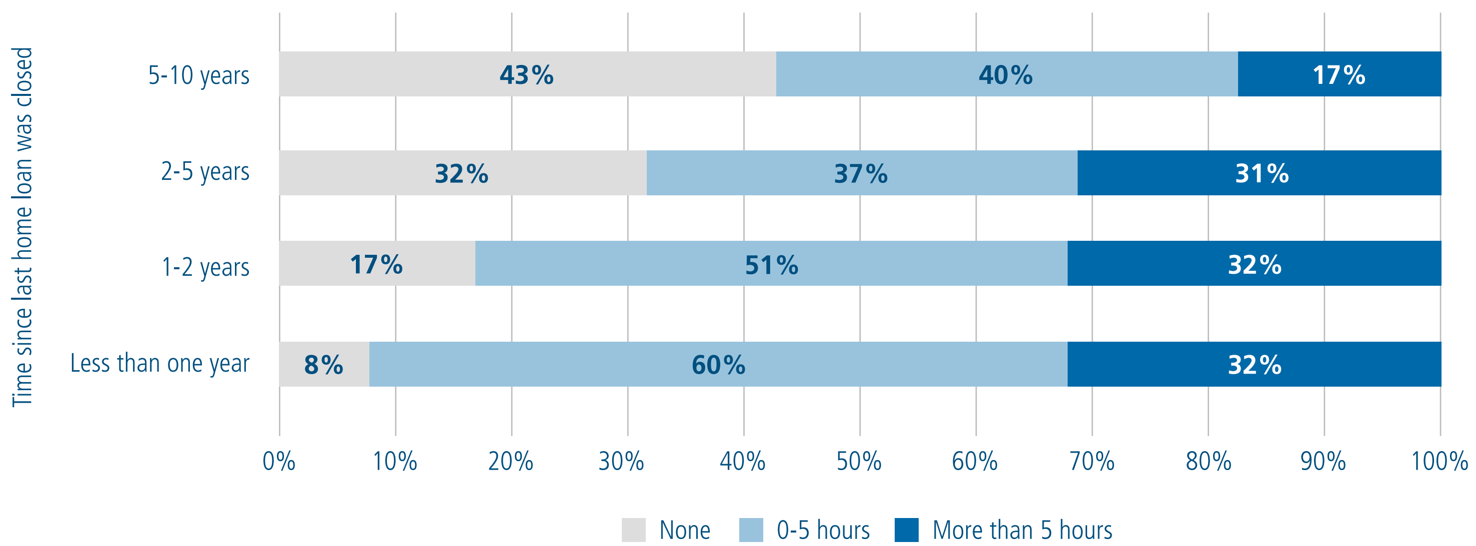
Borrowers who were provided an online portal were two times more likely to say technology improved the loan process

Online Research and Discovery

Given consumers' growing predilection for online shopping and the wealth of information now available on lender websites, online activity now starts at the very beginning of the loan process. Borrowers go online to find out what their options are, including details on lenders, rates and qualifications. The trend toward online research and discovery has accelerated. In the last year, 92% of borrowers did online research prior to reaching out to lenders, compared to 57% between five and ten years ago.

Purchase borrowers were 2.3 times more likely to spend more than 10 hours in online research than re-fi borrowers.

Online Research Prior to Reaching Out to Lenders

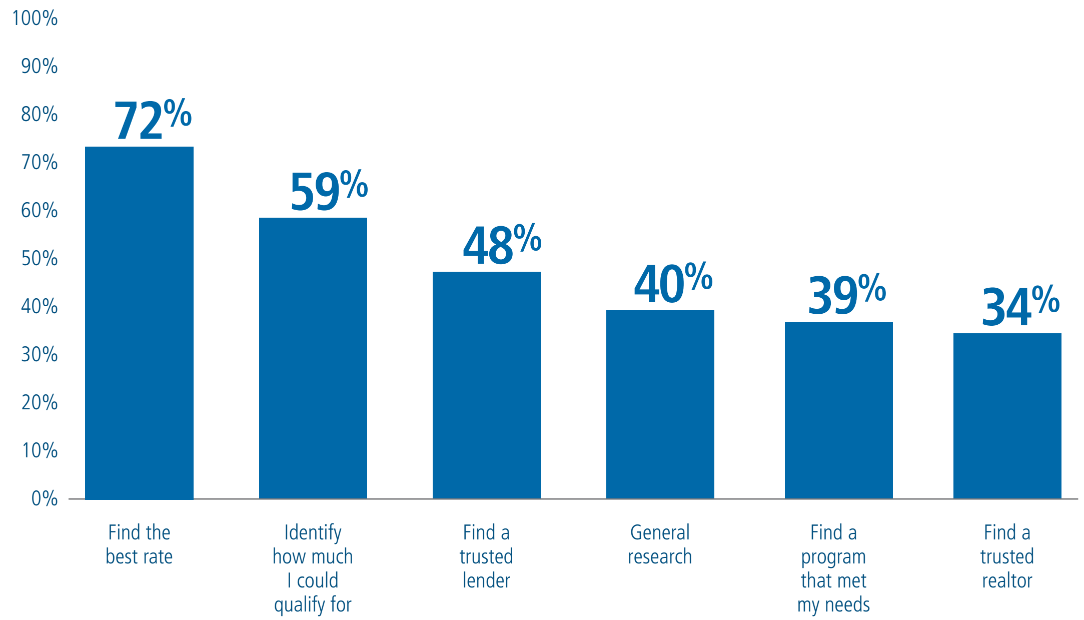


Online Research Activities

During the online research and discovery phase, borrowers tailor their searches to the questions that are of greatest importance to them. The most frequently asked questions were:

- Who offers the best rate?
- How much can I qualify for?
- Where can I find a trusted lender?

What did online research include?

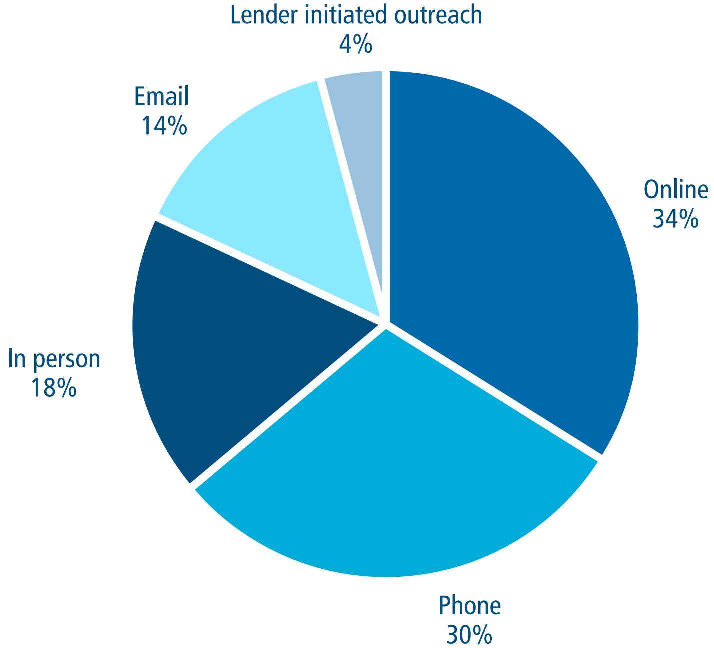


First Contact

Reaching out to a lending institution was once a matter of picking up the phone and making an appointment, or simply walking into a bank. Today, that is not necessarily so. Borrowers are increasingly going online to make their first contact with a lender. Our survey showed the most common means of first contact was online (34%), followed by phone (30%). What's more, online first contact is trending upward (46% within the last year vs. only 20% between five and ten years ago).

Re-fi borrowers were 21% more likely to reach out to a lender online than purchase borrowers.

First outreach to lender

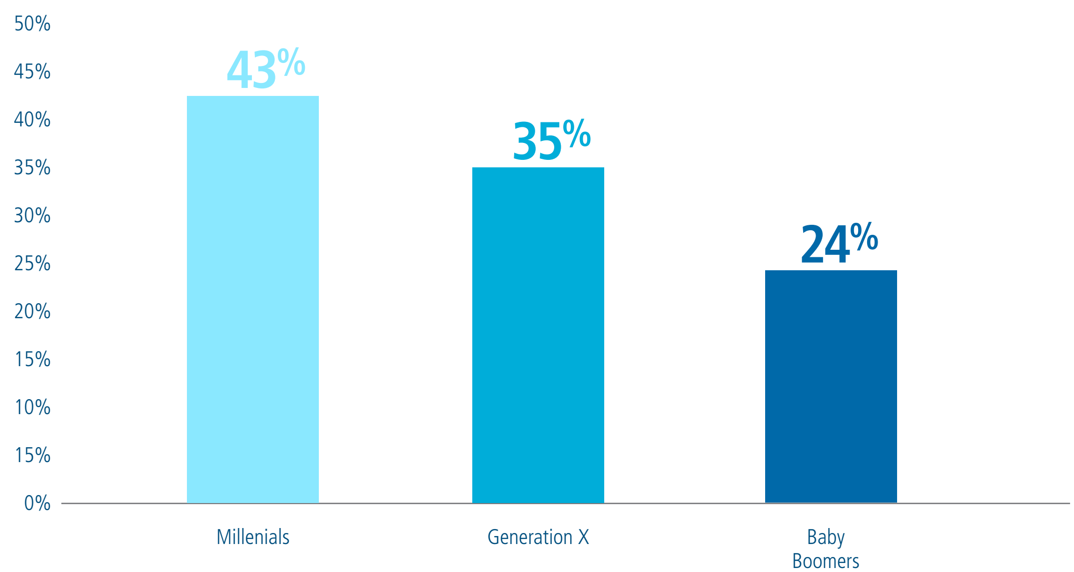


Generation Differences

As might be expected, our survey results showed some differences among borrower generations. Millennials were twice as likely as boomers to start the loan process online and also made initial contact with lenders online more frequently than boomers (43% vs 24%). Boomers, on the other hand, experienced in-person interactions the most.

While younger generations appear to be more active online, boomers nonetheless have a significant online presence and are increasingly adopting technology. Gen Xers tend to lie somewhere between millennials and boomers in terms of online mortgage activity.

First reached out to lender online

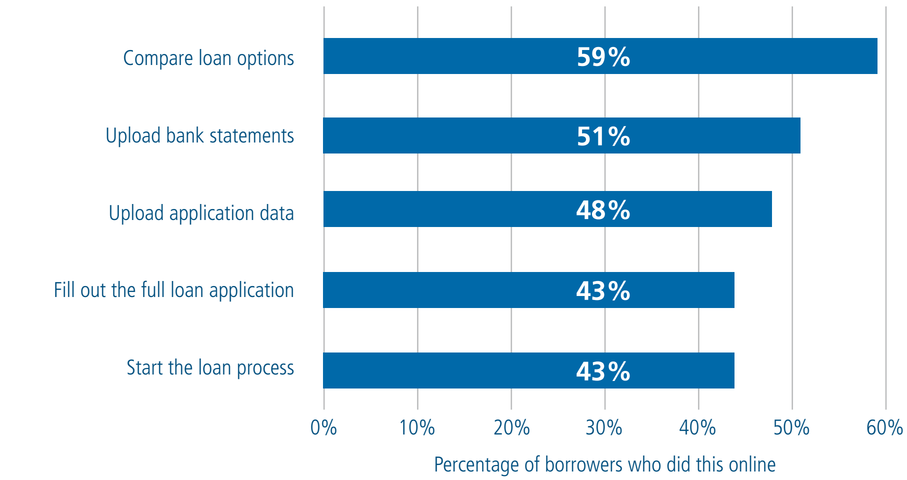


Online Loan Activities

Borrowers went online to complete nearly every phase of the loan process from comparing options to application and qualification. The most common online loan activities were:

- Compare loan options (59%)
- Upload bank statements (51%)
- Upload application data (48%)
- Complete loan application (43%)
- Start the loan process (43%)

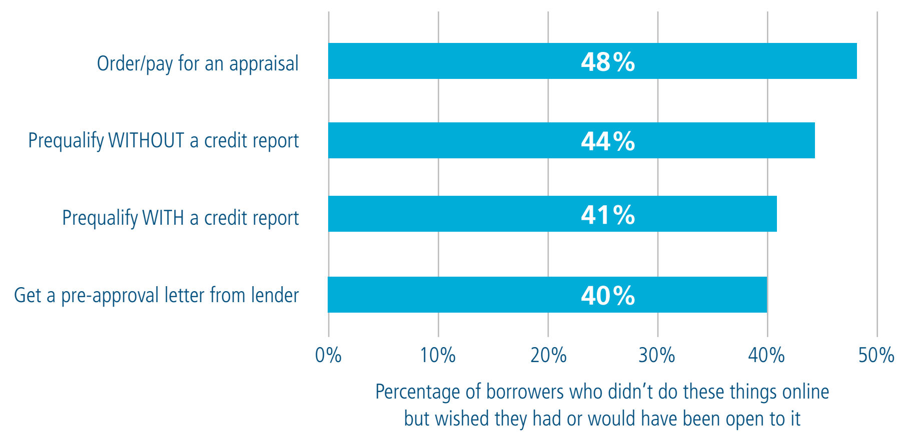
Most common online activities



There were some things borrowers didn't do online – but wished they had, or were open to doing in the future. The most common of these were:

- Order/pay for an appraisal (48%)
- Pre-qualify with or without a credit report (41% and 44%, respectively)
- Get a pre-approval letter from a lender (40%)

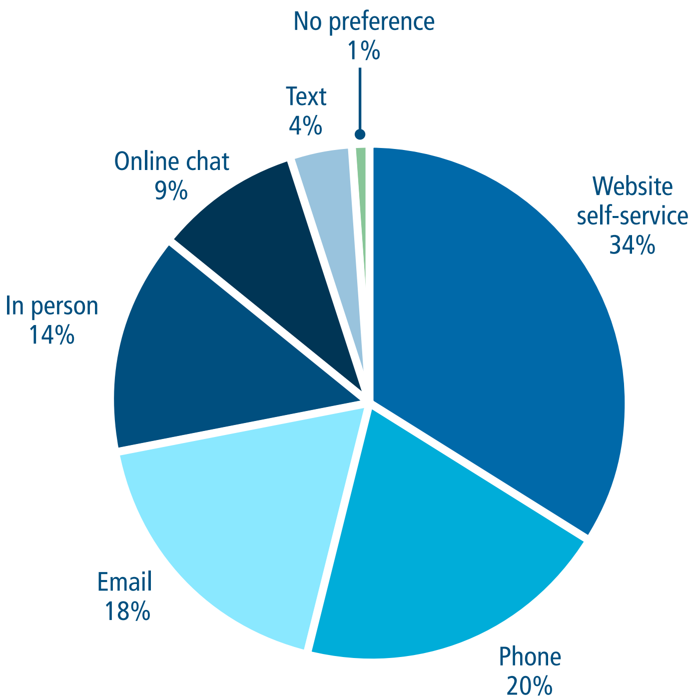
Online activities with unfulfilled potential



Web Self-service

Web self-service was the preferred means of research and discovery, as well as the most commonly experienced form of interaction with lenders. However, the human element remained crucial across all age groups, especially boomers.

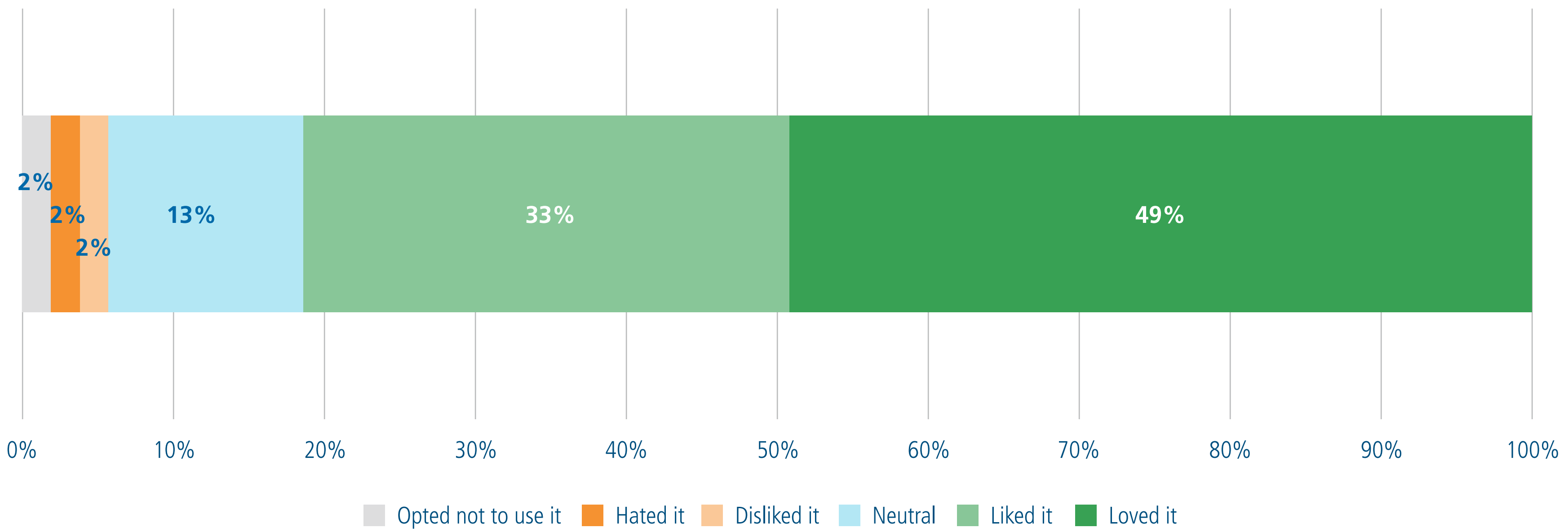
Preferred channel during loan discovery/research



Online Portals

Beyond the simple web interface, online portals provide borrowers, lenders and settlement agents with a secure site for transacting mortgage loans. Most borrowers worked with lenders who provided an online portal for sharing documents (71%). The online portal experience was tremendously popular with borrowers (33% liked it; 49% loved it).

Online portal experience



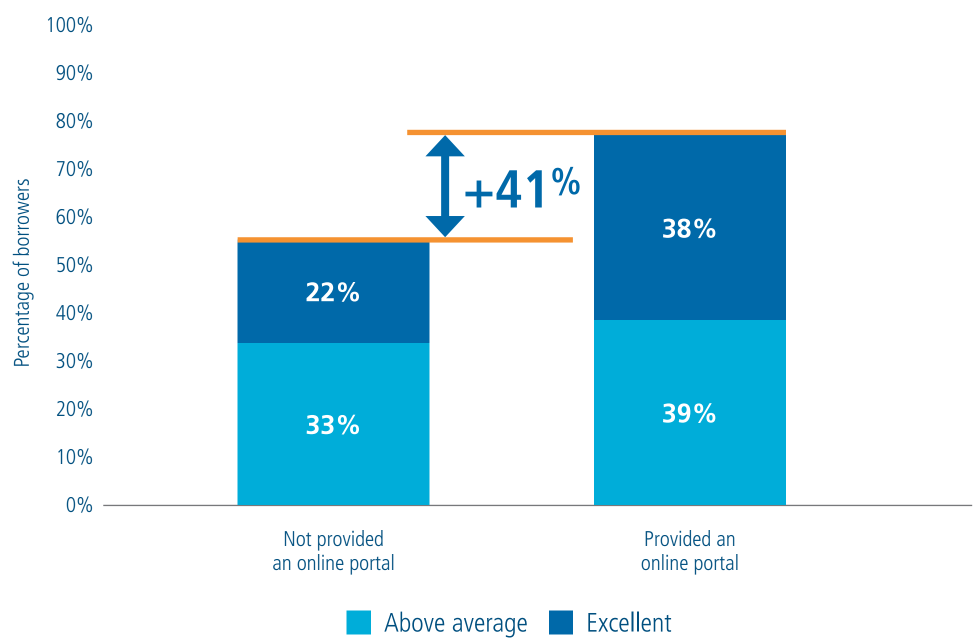
Online Portal Difference

Borrowers who were provided an online portal were:

- 18% more likely to turn to their loan officer for another loan
- More than two times more likely to say technology improved the loan process.
- 41% more likely to rate their overall loan experience excellent or above average

Online portals made the biggest difference in a positive view of technology for boomers. Of those provided a portal, 79% believe technology improved the loan process versus 49% for millennials, who may have higher expectations for technology solutions.

Overall loan experience ratings



Conclusion

Our survey findings demonstrate clearly that, from a consumer standpoint, the digital mortgage is an idea whose time has come. Here are few recommendations for lenders looking to gain momentum and competitive advantage by enabling digital mortgage solutions for borrowers:

- Simplify the borrower experience with online applications that guide the applicant step-by-step through the loan process.
- Implement workflow to automate and streamline data collection and ensure compliance.
- Provide a borrower portal that is secure and easy to use, with online chat for quick communications and a single interface for responding to e-signature requests, document sharing and disclosure reviews.
- Apply responsive design in your online forms, portal and content to ensure compatibility across all devices – desktop, laptop, tablet and smartphone.
- Don't forget the human element. While today's borrowers are keen to save time and effort by using online capabilities, they still want to be able to talk to someone knowledgeable when they have questions or concerns.

The digital mortgage is **an idea whose time has come**

Get Started Today!

Are you looking for ways to succeed in the new world of digital mortgage? Learn how the latest technologies can help you close more loans and gain competitive advantage.

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