SUTHERLAND

Point of View

MORTGAGE SERVICING: **DRIVING BETTER BUSINESS OUTCOMES IN AN UNCERTAIN ECONOMY**

Mortgage servicers have been through booms, downturns, recessions and pandemics. The leaders of our industry will tell you that the key to weathering a down market is to know your customer.

While servicers can adopt measures to maximize revenue and minimize costs in the face of changing market conditions, having insight into your borrowers' needs and tendencies will determine success. To drive high customer satisfaction, servicers must leverage technology, analytics and contact center partners so that they operate with speed, ease, accuracy and transparency.

Foresee and steer borrower behavior

Using today's data and analytics capabilities is fundamental to knowing your customers' evolving needs and narratives.

Success is determined by how you apply this information.

For instance, if a borrower is likely to miss multiple payments six months from now, data-driven solutions can help you anticipate the borrower's potential delinquency and then offer suitable alternatives — all before a single payment is missed.

An approach like this generates a wealth of actionable insights about your borrowers' decision-making process. By combining such insights with AI augmentation and hyperconnectivity, you can optimize your portfolio retention strategies. Unsurprisingly, businesses that take this route tend to have higher customer satisfaction rates. Here's how your business can achieve the same:

Data and analytics: **Know your borrowers inside and out**

Applying behavioral science to data and analytics will help you anticipate, understand, and positively shape customer behavior. The good news is that originators and mortgage servicers can access a vast reservoir of borrower information. This includes:

- Customer profile data
- Data from past interactions with borrowers
- Real-time data and analytics generated during live interactions with borrowers
- Consumer behavioral trends across the industry

The bad news is that the majority of originators and mortgage servicers aren't mining their data efficiently and profitably.

Most companies analyze just 3 percent of their interactions with customers. That's like leaving money on the table. Applying analytics to customer interactions (and to all your borrower data, including credit reports, payment history, etc.) helps you anticipate everything from a borrower's default propensity to cross-selling opportunities.

Conversational AI, for instance, can analyze customer calls to detect "red flags" — certain words, phrases, voice inflections, and pauses that indicate a potentially negative outcome unless the agent pivots the customer in a positive direction, and quickly. Using this kind of sentiment analysis and other data-driven intelligence to train your mortgage servicing agents can have a critical effect on borrower retention and attrition.

For example, a top regional bank facing high attrition rates wanted to use analytics to predict which customers were likely to prepay their current mortgage, since that would allow the bank to provide the borrowers with options before they pursued refinancing. Applying advanced machine learning to the bank's internal borrower data, and then augmenting that with rich external data, the bank was able to generate real-time scores about their borrower's propensity to prepay. The result? An improvement of more than 500 basis points in borrower retention.

Analyzing 100 percent of your company's interactions with borrowers is now achievable through automation. Choosing a partner that has experience with data and analytics, paired with a history of successful digital transformations, is imperative to moving from a reactive mindset to a proactive one. This will allow you to maintain a sharp focus on your borrowers as you navigate a shifting economic landscape, with an eye toward keeping more of them as customers in the long term.

AI augmentation:
Two brains are better than one

In volatile economic times, companies will need to update their mortgage-servicing playbook. Thanks to AI-driven machine learning, the behavioral insights tracked through hundreds of thousands of past borrower interactions can be revised daily to reflect changing conditions while relevant patterns continue to be monitored. All of this helps humans deliver a better mortgage-servicing experience to other humans.

What's more, continually revised insights can be delivered in real time. Cognitive AI can now break down sentiment analytics while a borrower interaction is actually happening, with the resultant insights being instantaneously fed to the mortgage-servicing representative who's interacting with the borrower — or alternatively, fed to a digital counterpart such as an AI-powered chatbot. Early adopters of real-time sentiment analysis, along with fast followers, will have a substantial edge on their mortgage-servicing competitors.

Mortgage lenders and servicers already have a substantial edge if they use a form of human augmentation known as agent assist. Harnessing data analytics (including borrower-specific intel and look-a-like data), agent assist suggests next best steps to mortgage-servicing reps and digital agents during customer interactions. This saves businesses time and effort in determining the most appropriate solution to a specific request by a particular borrower — both within the context of a given moment (collecting an overdue payment) and in the long term (maximizing customer lifetime value).

Enterprises can also save considerable time and effort by thoughtfully deploying AI-powered chatbots.

Increasingly sophisticated speech recognition capabilities and natural language processing allow chatbots to handle high-volume queries about straightforward matters like loan payments and escrow balances. This reduces customer frustration (no more waiting on hold) and frees up live reps to handle more-complex queries, including questions from high-risk borrowers. It also frees up money: Chatbots are forecast to save the banking industry $7.3 billion globally in operational costs during 2023 alone.[1]

Seeing is believing: One mortgage servicer saved $300,000 in less than half a year after implementing its first chatbot. Designed to answer more than 200 different questions that borrowers might pose, the chatbot fielded 20,000 queries in the first five months of installation. That's 3.5 times the volume of questions the lender was able to field pre-bot. A week after launch, the chatbot had already deflected 87% of calls that would have otherwise tied up mortgage-servicing reps. Those reps were able to devote themselves to more-nuanced queries instead.

1 https://www.juniperresearch.com/press/bank-cost-savings-via-chatbots-reach-7-3bn-2023

With these success stories becoming more prevalent, AI augmentation will grow increasingly common in the mortgage-servicing industry. At the moment, the competitive advantage is held by the businesses already on board.

Hyperconnectivity: **Never lose sight of the customer**

To achieve optimal success through AI augmentation and data analytics, originators and mortgage servicers need to meet customers where they are, which is pretty much everywhere these days.

Being everywhere (social media, SMS, email, app, phone, website, etc.) requires excelling at omnichannel engagement 24/7. Surprisingly, just over 10 percent of companies engage seamlessly with customers across channels.

This low level of engagement is due to attempts at omnichannel that end up merely creating siloed channels. As a consequence, businesses get a fragmented view of their borrowers' profiles while customers have a disjointed experience. This drives down customer satisfaction scores and increases loan servicing costs.

By integrating all channels via a single platform, businesses can maintain full visibility of borrowers across the mortgage lifecycle, contain the cost of keeping tabs on their loan activities, and continually mine their data and behavior for actionable insights.

Servicers will also be able to see which channels are the best ones for contacting a borrower based on factors like time of day or type of loan-servicing issue. These insights matter because communicating with borrowers in an opportune way increases the likelihood of intercepting them before they make a costly pivot (e.g., default or refinance with a competitor).

A single, hyperconnected platform additionally means that your loan-servicing agents will no longer have to navigate multiple interfaces, programs and technology systems to answer borrower queries. Nor will a query get forced back to square one whenever a borrower switches channels midstream. This saves borrowers the aggravation of repeatedly conveying the same details via web uploads, chatbot, IVR telephony, live agent, etc. Lower aggravation boosts customer satisfaction, reduces customer churn and elevates an enterprise's reputation in the marketplace. Contact centers, meanwhile, see improved average handle time and higher first call resolution, leading to better employee morale.

Stop OpEx bleeding and boost CX

There were more new originations in the past three years than during the entire seven years prior to that. While this record volume has been great for topline growth, it can be a drag on the bottom line when accompanied by operational inefficiency. Operational inefficiency often leads to poor customer experience.

The solution is to set up and service loans with speed, ease and accuracy. Mortgage lenders and servicers who are able to pivot and scale can readily manage a spike in high-touch servicing. They're prepared for potentially higher rates of delinquencies in times of rising inflation and can plan sufficiently for increased loss-mitigation efforts as recessionary pressures rise. Achieving this nimbleness depends on accessing borrower information swiftly and insightfully. Unfortunately, some borrower information is incorrectly recorded and saved, driving up operational costs, customer attrition and steep regulatory penalties. A forward-thinking quality-control strategy will help prevent some of these mistakes.

Saying goodbye to back-office backlog and hello to intelligent automation

Manual entry is often the culprit in borrower data inaccuracies. Not only are manual mistakes expensive, but so are the personnel who make them. Redundant data collection exacerbates the problem. With multiple pieces of source data needing to be checked and verified against LOS and servicing system data, manual processes can produce regulatory and operational headaches for mortgage servicers.

Intelligent process automation (IPA) can help solve these problems. It makes data collection fast and accurate, while reducing human resource costs. IPA does this by combining robotic process automation (RPA) with AI technologies like machine learning, optical character recognition, natural language processing, structured data interaction and intelligent document processing. What would normally involve substantial time, effort and fallibility by human personnel can instead take place with the speed, ease and precision of machines. Intelligent process automation that is integrated with operational systems can transform loan servicing, increase employee efficiency and improve customer experience.

Maximizing front-office effectiveness

Avoiding back-office mistakes and redundancies enhances customer interactions. Intelligent automation in the form of AI-powered information-gathering options, such as chatbots, lower the likelihood of translation problems. For example, if a mortgage servicing agent misinterprets a borrower during a call, or types the borrower's information incorrectly, IPA can catch these errors before they are saved in the system.

IPA also allows mortgage servicers full visibility of borrower communications and transactions across channels. By bringing all customer channels onto one platform, stakeholders can observe complete borrower profiles on a single reporting dashboard, seeing which channels borrowers prefer to transact in and obtaining insights that prevent organizations from wasting time and money on sending communications via channels borrowers do not use. A 360-degree view of borrowers additionally helps prevent redundant requests for sensitive borrower information and multiple transmissions of that data. In parallel, this reduces risk of data security breaches and helps servicers adhere to the Fair Debt Collection Act. Regulatory compliance by mortgage servicers is essential to reducing both their reputational and operational risks.

For mortgage originators that also do servicing, their servicing reputation can attract or put off potential future borrowers. Today's borrowers widely broadcast poor loan setup and servicing experiences to each other across digital channels, routinely complain to regulators and speak about their dissatisfaction to industry surveys. When you consider that most borrowers ranked customer experience almost as high as getting the best rate in recent years, prioritizing customer satisfaction can be a wise strategy for turning your mortgage-servicing customers into goodwill ambassadors for your business.

Big picture

As you navigate near-term economic uncertainty and continue toward long-term narrative success, keep the following tips in mind:

- **Don't squander free customer intelligence:** Use AI and analytics to mine customer interactions so that you obtain a full profile of the borrower and can better predict their behavior.
- **Reduce complexity:** Consider putting an omnichannel platform in the cloud where you can easily add and remove features at minimal cost and effort.
- **Do more with less:** Boost the efficacy and efficiency of your front and back offices with intelligent automation so that you decrease operational spending while increasing customer satisfaction.
- **Augment human knowhow:** Tap technologies like cognitive AI and sentiment analytics to enhance borrower engagement by applying greater insight and empathy.

sutherlandglobal.com
sales@sutherlandglobal.com
1.585.498.2042