

**BANKING**

# **Four Ways to Deepen Relationships with Mortgage Borrowers**



## Introduction

Banks and credit unions have a huge opportunity to quickly deepen relationships with new mortgage borrowers, and with current depositors. Consumers want to do more with their financial institution, and say it isn't hard to win them over. Institutions just need to provide proactive education about products that meet their specific needs.

A 2021 Cornerstone Advisors' Research report found that borrowers who didn't do more business with their lenders said it's because "they were never asked to do so," or when they were asked, "the products ... were irrelevant to their needs."<sup>1</sup> Conversely, borrowers who did conduct more business with lenders said it was because their lenders made it easy to do business; four in 10

also said their lender stayed in touch with them, provided technology and tools to help them manage their financial lives, and demonstrated they knew respondents' needs.<sup>1</sup>

As forecasts for rising rates build urgency among consumers for decisions like renovating the kitchen, buying a new car, or just for access to credit secured by the equity in their home, they will be researching their options. Those banking institutions who meet that need for information with answers, and the right product to go with those answers, will grow their relationships with consumers in the year ahead.

**Here are four ways banking organizations can serve consumers seeking timely answers.**



## Understand Consumers' Financial Tendencies

During 2020 and 2021, some 24.6 million borrowers refinanced a mortgage or purchased a home.<sup>2</sup> After closing on a new home, many mortgage borrowers go into decoration mode. Others decide they just can't live without a soaker tub. That's a unique financial stage – having recently closed a mortgage – that's identifiable in banking data, and that makes a borrower an intuitive user of other financial products.

For example, consumers wanting to use equity financing for a home improvement project can either obtain a low-or-no-fee, floating-rate line of credit (HELOC) that can be used at any time. Or they can obtain a cash-out mortgage refinance with a fixed rate and an origination fee. With so many homeowners recently paying an origination fee for a new mortgage – and are now locked-in to a historic low mortgage rate for 30 years – many will prefer an equity line over a new mortgage.

Home purchases also have a freezing effect on consumers' use of credit. After closing on their home, lenders often note a series of credit uses once the mortgage has closed. Consumers, for example, who wanted a new car, and a new home,

may wait until the latter is done so that their credit is stronger at the time of their mortgage application. Others hold off on using their credit cards, often at the behest of their mortgage lender, until close. Afterward, drapes, rugs, couches, and appliances may all be on the buy list for their credit card.

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Some of these needs can be anticipated by institutions effectively analyzing their data. Others can be detected through data tied to consumer activity, such as loan applications, credit pulls, or listing a home for sale. Banks and credit unions must equip staff with the technology to harness data and engage their customers or members.

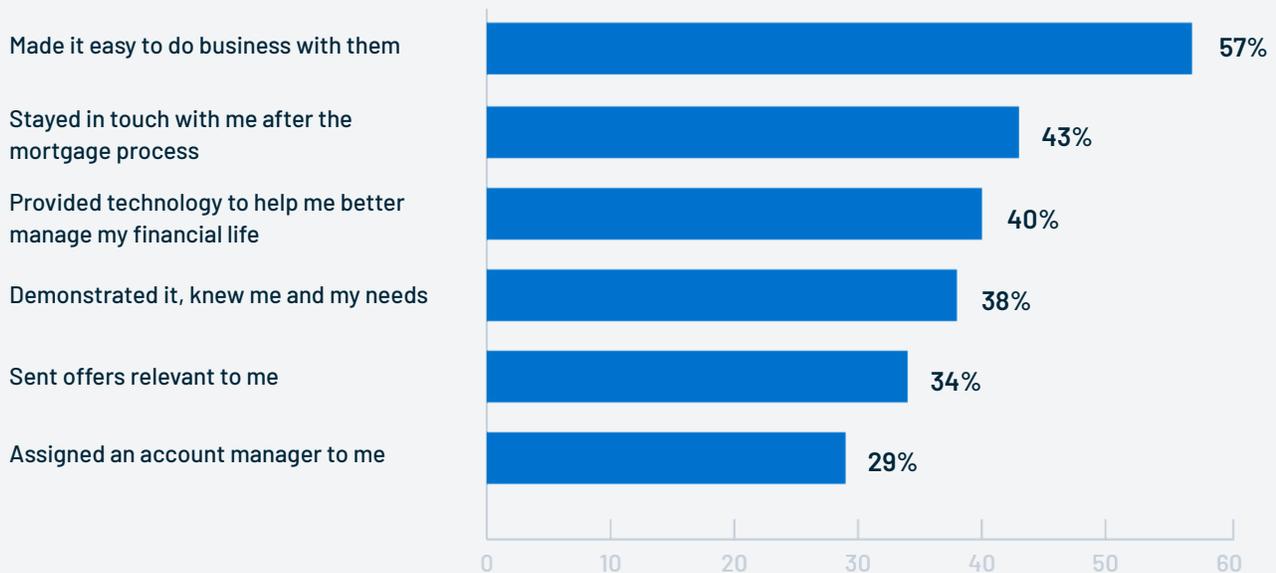
# Develop Post-Close Communications

With so many opportunities waiting in banking data, institutions need to do what consumers have asked: provide options and answers.

According to Cornerstone Advisors, only 41% of respondents applied for or opened additional products after obtaining a mortgage.<sup>2</sup> And, while two-thirds of respondents were very satisfied

with how their loan officer communicated the process, little more than half of consumers were very satisfied with how their lender “thanked them for applying” in the first place. When it came to providing information about additional products that could have been relevant to them, again nearly half said banking organizations are falling short.<sup>1</sup>

## What did consumers want from their institution instead?



By augmenting their onboarding strategy with relevant post-close messaging about products pertinent to consumers’ financial situations, banks and credit unions can change unappreciated cross-selling into helping consumers with solution that win loyalty for a lifetime.



## Enhance Banking Products with Customer Experience

Banking organizations that become leaders in personalized communication using data-based insights – the foundation of a modern customer experience (CX) – will outcompete peers and quell attrition caused by fintech competitors.

According to Total Expert research, 80% of financial institutions surveyed are implementing new technologies, 73% are adding new processes and procedures, and 51% are working with outside vendors to improve their CX. Nearly half (48%) are adding new team roles to support the CX function.<sup>3</sup> Unfortunately, while investment is ramping up, more than half of institutions said they still don't achieve basic levels of personalization.<sup>3</sup>

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Fintech competitors, on the other hand, are pursuing aggressive product and CX-driven growth. Take, for example, cryptocurrency leader Coinbase, which now offers banking services to 73 million customers. Download their app, and you'll see a strong education platform that allows consumers to choose which cryptocurrencies they learn about. The company also incentivizes education by giving cryptocurrency to customers who complete courses. They achieve education, adoption, and usage all in one.

Banks and credit unions can compete with fintechs on CX. Since time is money in financial products – both for the consumer and the financial institution – timing can be everything to a consumer. For example, if a bank or credit union shares options for a HELOC with a homeowner who happens to want equity financing – and it provides a way for the homeowner to keep the 30-year mortgage they're happy with – the lender has materially enhanced the value of the HELOC for the consumer. The HELOC is the same, it's fit to the consumer is upgraded.

# Increase Consumers' Financial Literacy

Today's consumers want to be educated before making a financial decision. And the payoff for institutions that can appease this learning quest can be immense.

According to consumers' self-assessment in Cornerstone Advisors' study, a much higher percentage (62%) of "very financially literate" borrowers grew their relationship with their lender after getting a loan, while only 39% of "somewhat financially literate" consumers did the same.<sup>1</sup> In addition, 45% of very financially literate respondents evaluate on a weekly basis which additional financial services products they need, compared to only 18% of somewhat financially literate consumers.<sup>1</sup> Read more on financial literacy and consumer behaviors to the right.

Financial education appears to offer reoccurring returns. Initially, it offers an opportunity to capture information about financial literacy levels, financial health, and future purchase needs and desires. In time, it produces customers and members who want information about the services of their bank or credit union. That positive cycle can make them a super user – potentially returning to the institution who earns their loyalty for every major financial milestone in their life.

## **While self-assessed financial literacy is subjective, consumers show clear behavioral differences between the groups:**

- While nearly two-thirds of very financially literate respondents assess their financial performance on a weekly basis, only a third of somewhat financially literate respondents do so.
- Nearly half of very literate consumers determine what they can do to improve their credit score each week, in contrast to a little more than a quarter of the somewhat literate group.
- On a weekly basis, only 18% of somewhat financially literate consumers are evaluating what additional products they need, compared to 45% of very financially literate respondents.

Read Cornerstone Advisors' Guide on  
**"Developing Mortgage Borrowers Into a Banking Relationship"**

# Sources

1. Cornerstone Advisors, "Improving the Loyalty of Mortgage Buyers." 2021.
2. HousingWire. "Purchase mortgage volume projected to clear \$2.1T in '22, '23." January 21, 2022
3. Total Expert, "Customer Experience Maturity for Financial Institutions." 2021.



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