WHITE PAPER

Optimising Your Mortgage Journey

To Increase Margins And Attract More Business

Introduction

Mortgages have been the centre of a great deal of change over the years and as the competition increases so will regulatory scrutiny and customer expectations. Your mortgage journey may be more costly than you realise due to a multiplicity of change implementation (on tighter budgets) and a fluctuating market.

Mortgage journeys that are overly complex, risk averse or too long can cost you business as well as being inherently more expensive to run. As a leading product for most UK banks in terms of income generation, the mortgage market is increasingly competitive.

It is important to moderate the complexities in your products and process, optimise your risk appetite by channel, minimise delays in your process and fully understand your cost to serve per application. These are the most effective levers to optimise margins and attract a healthy proportion of the market.

In this paper we explore steps to evaluate your current mortgage journey as well as providing some useful tips for optimisation. This will help you better understand the opportunities that may be available to you and your business model.

Complexity

Complexity can creep into an operating model over time due to ineffective or incomplete change implementations, legacy systems and products, unclear policy and a lack of overall accountability to keep it simple.

The following checklist can be used to assess your mortgage journey for complexities. Many of these statements can also be considered best practices for maintaining simplicity. The less items you are able to answer yes to, the more likely it is that you have inherent and uneccessary complexity within your process that requires simplification.

Yes	No	
☐	☐	Can those involved in progressing an application through the mortgage journey understand and explain it fully end to end?
☐	☐	Is the amount of paperwork and evidence required for low risk applications and existing customers reduced?
☐	☐	Are referrals beneficial and swift by ensuring that mandates are aligned to risk and complexity rather than pure case value?
☐	☐	Have changes been implemented in line with business requirements, without the need for long-standing operational workarounds?
☐	☐	Are customers able to get an accurate indication of lending at first point of contact?

❑	❑	Is accountability for customer experience clear and accurately measured throughout the journey?
❑	❑	Is the product suite understood by all customer-facing staff with each product being simple to explain and understand?
❑	❑	Are customer queries handled at first point of contact and is this a measure of business success?
❑	❑	Are hand-offs between departments and staff members infrequent and monitored as part of continuous improvement?
❑	❑	Are variations of customer journeys minimal and ”bank delay” issues rare?
❑	❑	Are mandatory changes adequately assessed for impact and fully integrated into existing processes rather than treated as an “add-ons?”

Risk Appetite

Risk Appetite can change over time, often becoming tougher as new regulations and changes are interpreted and implemented. It is important that risk functions enable a clear understanding of risk likelihood, impact and the options available to mitigate. This enables business decisions on risk appetite to be fully informed and avoids risk functions dictating requirements to erradicate risk. Moreover the business must be clear that risk functions are not there to ‘approve’ strategies or changes. Businesses should seek support in understanding what policies, regulations and other risk considerations may be present, so they can make the decision on how to proceed (e.g. request a change to policy, seek approval for a policy exception, accept the risk, tweak the proposal to provide a greater degree of risk mitigation).

New legal and regulatory requirements should be translated into clear and unambiguous policy to avoid ongoing “re-interpretation” of the requirements by risk, slowing business decision making. The business should challenge policies where strict application results in an illogical result, constantly refining them to align with business risk appetite.

With the introduction of MMR, a culture of fear has arisen among those working in mortgages, who are anxious about the implications if advice is deemed insufficient or biased, or if non-qualified persons are seen as providing quasi advice. This culture has also resulted in multiple “scripts” being presented to customers to provide additional legal comfort but lengthens and devalues customer interactions. It is important that the distinctions between advice and servicing are clear so that ownership and management of that risk sits with the appropriate area without preventing progress elsewhere or impairing the customer journey. For example brokers provide advice and then pass the mortgage to their chosen bank to be processed, where factual conversations then take place to fulfill the customer’s requirements. If the customer’s requirements change, then the original advice provider (who should be kept informed of all updates) would determine whether a variation to the advice is required and provide this. Without these clear lines of accountability, duplication creeps in and with this, inefficiencies, which can be ill afforded in the current competitive market.

You should ensure that the following are true when assessing the way risk appetite is set and managed in the mortgage journey:

- ***Risk informs but does not make risk appetite decisions.***
- ***The business regularly makes decisions on risk appetite.***
- ***Policies set the hard and fast rules of law that must be followed and can be challenged to ensure correct results.***
- ***Advice versus service is clearly defined and understood.***
- ***Agents are able to confidently hold fact-based discussions without "fear" of "advice giving."***

Delays

Delays are most commonly identified by documenting your current customer journey, using real life cases to plot the various points along a timeline at which the customer or bank has made contact or taken action. This will often highlight opportunities (such as inefficiencies or bottlenecks), where activity can be focussed.

Delays typically occur at transfer points between parties and stages of the process. If these can be limited by straight-through processing (e.g. maximising use of electronic methods of ID verification and valuations) you will reduce the likelihood of a delay. Consider the importance of the method of handling, and ability to resolve most delays at FPOC by providing clear guardrails for decision making and limiting grey areas.

Some typical sources of delay appear on the right. If these exist in your mortgage journey, it is important to understand the proportion of customers impacted and sample these via customer journey mapping, to determine whether these could be handled more effectively and efficiently.

Common Sources of Delay	
1.	Availability of appointments with advisers
2.	Chasing payment of product fees
3.	Awaiting or chasing documentation (ID&VA, income evidence, executed mortgage documentation)
4.	Chasing the booking, payment and provision of physical valuations
5.	Down-valuations or issues raised by valuers to the Bank for consideration under their specific policies on the adequacy of some property types
6.	Queries and correspondence from or between solicitors
7.	Changes of circumstances unable to be picked up by the original mortgage adviser or requiring re-submission of a fresh application
8.	Ineffective queue logic, that results in unintended loops within work queues

Costs

It may seem foundational, but the need to understand costs per application is clear and present and few organisations have a distinctive view on it. While most institutions will have cost assumptions built into their model, few have regular and updated management information and insight into how this changes over time by application.

Without a clear understanding of costs at each part in the journey, their proportion and the characteristics of those applications impacted, it is almost impossible to understand how best to drive these down and track success.

Conclusion

If the evolution of your mortgage journey has left your mortgage business feeling risk averse, inefficient, complex and costly, it is likely that there are significant upsides if you are willing to invest the time and effort required to evaluate it and make the necessary changes.

Bridgeforce has industry wide insights and recent experience in the optimisation of the mortgage journey. We work with financial institutions to document the current state, define the future objectives, then develop and run change programmes side by side with you to achieve tangible and long lasting results for your business. Contact us if you would like to hear more about our experiences or discuss your specific challenges and goals.

Contact Us for More Information

We would be happy to talk freely about our experiences in this area and help you understand where our services would be most valuable.

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About Bridgeforce

Bridgeforce, a specialised multi-national consulting firm, has been solving complex problems for companies involved in consumer and/or small business lending and payments for nearly 15 years.

Over 75 percent of Bridgeforce consultants come directly from client-side leadership positions across multiple parts of the credit lifecycle. Combined with subject matter expertise in operations, technology, strategy and regulatory issues, Bridgeforce brings a deep and practiced understanding of the lending and payment environment to each new client.

With market, regulatory and technological changes continually altering the risk landscape faced by sophisticated lenders, corresponding business changes require hard choices and the courage to make them. Bridgeforce has a strong record of helping clients make these choices by providing best-fit solutions that are achievable and provide meaningful change for each client.

The company operates in several regions with core markets and offices in the US and UK and additional operations in the Euro zone, North America and Latin America. The close working relationships between Bridgeforce with the US and European banks gives the company valuable insight into the interconnected regulatory movement and strategic trends across countries.

The Bridgeforce success can be attributed to a culture of collaboration, support and trust fostering innovation, thought leadership and evolving best practices recognised within the industry.

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