



Mortgages: The Final Digital Frontier

Introduction

There are few financial products as consequential to consumers as a mortgage. As such, the mortgage origination process demands a personal touch, reinforced by data from a number of different sources and systems. Whether in the form of stacks of paper or an organised database, data is not only a key part of day-to-day origination and processing, but also a fundamental building block for the initial and ongoing relationship between loan originator and customer.

New technologies, underpinned by a revolution in how data can be collected, connected, and deployed, have shifted customer expectations around the speed, convenience, and level of personalisation now required to win their business. It is easy for mortgage providers to remain focused on the personal touch, the face-to-face meeting, and assume that this means back-office systems, strategies, and processes that may be creaking under the demands of a new world can be ignored.

That line of thinking needs to be brushed away. Since the start of the COVID-19 pandemic a new “digital normal” has established itself across the industry, highlighting financial institutions that are falling behind by relying on outdated systems and methods of operation.

The new normal doesn’t just mean granular updates, nor does it mean shifting years-old technology into the cloud. It means adapting to serve clients who wish to interact with you over multiple channels and with a higher expectation of service.

That expectation is driven by the fact that consumers have seen over the past 18 months the possibilities of a convenient, faster, and more personalised service over digital channels, from their weekly shopping to the way they consume media.



Boris Bjalek of MongoDB on a recent FinTech Futures webinar
 (click on the image to play the video, or [click here to watch on YouTube](#))

How mortgage providers react to the new normal, and where areas of investment are made, will be crucial in securing market share in the coming years. Already moves are being made and new strategies are evolving.

FinTech Futures, in collaboration with MongoDB, went to the market in search of the technological and strategic priorities for leaders and executives in the lending space as we drive into a digital future.

Do you really know your customer?

From among the respondents to our survey, a crucial trend appeared very early on, tied to the personal and personalised nature of the mortgages sector.

When asked about the digital progress of various aspects of their businesses, almost two-thirds (61%) reported the greatest focus and the greatest progress in knowing their clients. This was followed by onboarding processes (55%) and client acquisition (49%).

This shows that the customer remains the central concern for industry players, and the majority of technological development aimed first at ensuring and keeping that relationship. Yet despite this, 60% indicated that their ability to offer personalised services was average at best or needing improvement.

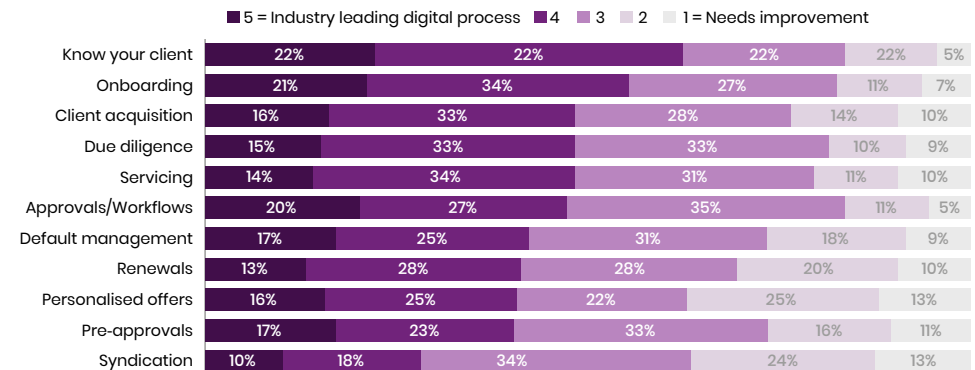
The same number also earmarked their pre-approval processes for improvement. So, our respondents prioritise knowing their customers and acquiring new business, but not enough to pre-approve loans and provide a smooth process from the off.

Market participants were split on what differentiated them from their rivals, and what strategy would serve them best going forward. A small majority (38%) placed faith in a simplified digital journey from acquisition to onboarding and servicing.

The personal (and physical) touch is again emphasised as 36% believe their relationship managers set them apart from the pack. Some 34% added that their current systems allow seamless customer experiences and connect both physical and digital channels.

There is a clear and present focus on all things client, from initial acquisition through to the minutiae of maintaining a relationship. Market participants are seeing big improvements in their client-facing digital processes, while also looking to create smoother journeys for potential customers through better pre-approval systems and personalised offers.

How would you rate your firm's status with regard to the automation/digitisation of the following stages of the loan process?



“Our respondents prioritise knowing their customers and acquiring new business, but not enough to pre-approve loans and provide a smooth process from the off.”

What currently differentiates your loan process - from client acquisition all the way through to servicing and renewals? (Please select up to three)



Digital imperatives

Despite ranking their onboarding processes and customer knowledge as top notch earlier in our survey, just 57% of those who responded said they offered a digitised personal experience to their customers.

Naturally, with a focus on making customer journeys as smooth as possible, and with just under half of our respondents admitting they don't offer personalised digital services, there is a focus on using new technology to meet demands.

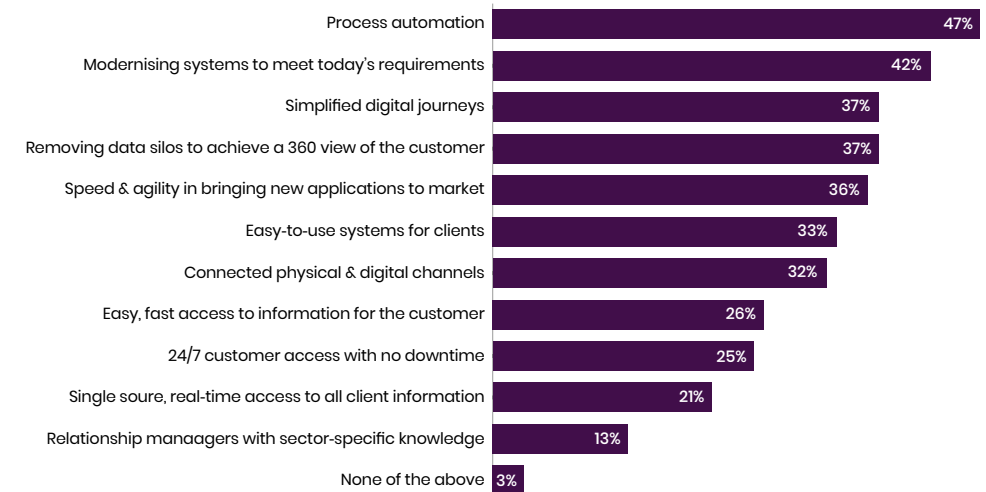
Some 47% of those asked said that automation would be a priority for their future investment, with 42% indicating that bringing legacy technology up to speed would be a focus. From onboarding to servicing, 37% indicated they would be continuing to invest in supporting better customer flow through their systems.

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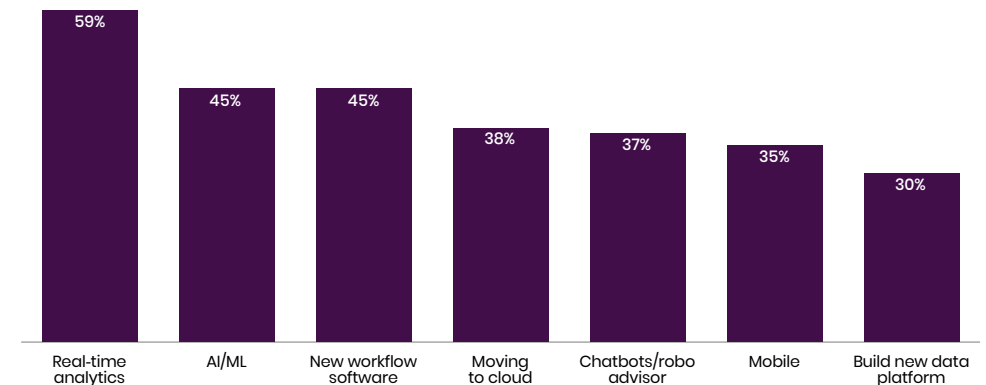
When asked which technologies would be crucial when it comes to meeting those digital needs, more than half (59%) of respondents said they are looking to real-time analytics as a solution of choice. Other popular technologies included artificial intelligence (AI) and machine learning (ML), new workflow software, and upgraded chatbots.

Some 38% of those asked indicated they had yet to move to the cloud, but planned to do so at the earliest opportunity. A third of respondents said they would look to build an entirely new data platform from which to base their future innovation.

Which areas are you investing into in 2022 to improve your loan offering and process? (Please select all that apply)



Which technologies will be crucial when it comes to meeting your digital needs?



The view of the customer

No successful company, whatever the industry, can get far without considering the needs of its customers. We asked our respondents what they felt their clients and customers wanted from them, or to highlight concerns from those consuming their products.

No single client concern emerged as a frontrunner, though the issue of digital processes appears again, as 44% of those asked said their customers are seeking better automated experiences. Some 40% also emphasised slow approval processes as a pain point, something reflected in the investment priorities highlighted earlier. All three of the highest-ranked concerns (automation, approvals, and response times) concern meeting customer needs when it comes to speed and rapid service.

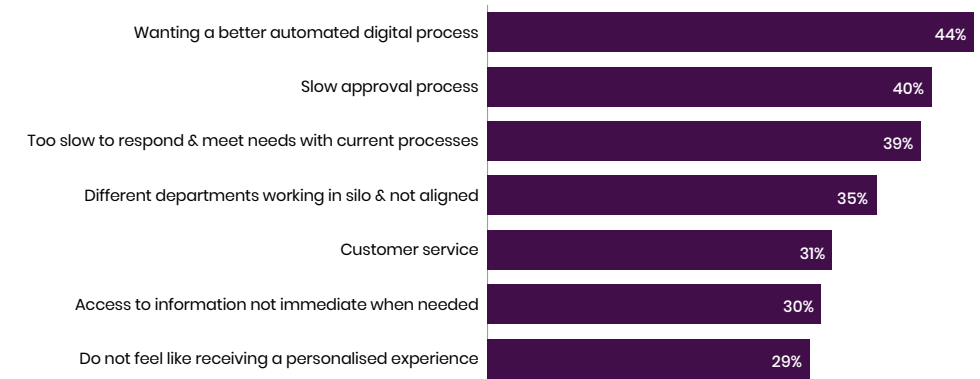
While market participants are cognisant of the digital imperative, when asked for their opinion on the top motivator for a client switching, costs ranked highest. Some 52% said that they see better costs and interest rates having more of an effect on customers switching provider.

Yet ranking just behind it are personalised experiences (44%), simplified business processes (43%), and better onboarding (38%). That these factors are so close to pure monetary value show the changing priorities of users and the growing emphasis from both sides of the market on digital service.

Some curious results surface when we compare respondents' views of customer concerns with the institutions' own problems with customer retention. While respondents believe 52% of customers would switch to get better costs or interest rates, only 20% of firms believe they are unable to compete on price.

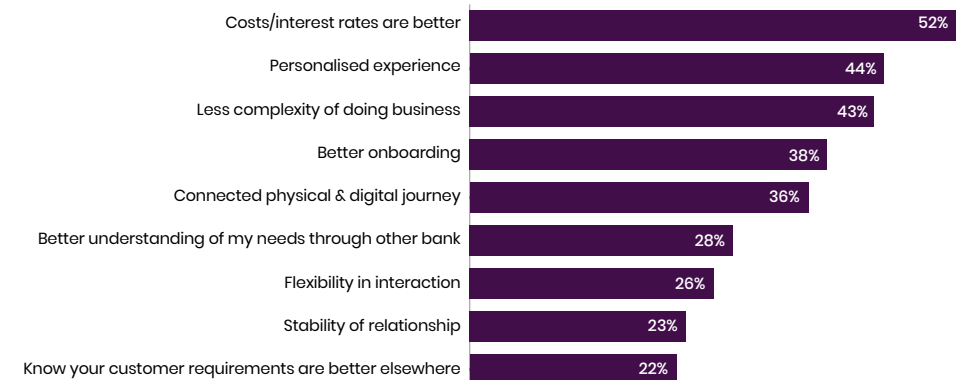
The primary challenge respondents say they faced in the recruitment and retention of customers was – and we should be sensing a theme here – a poor digital experience (43%) and a lack of personalised offerings (34%).

What concerns do your clients express over the credit/loan process that they would like to see improved across the industry? (Please select all that apply)



“The primary challenge respondents say they faced in the recruitment and retention of customers was – and we should be sensing a theme here – a poor digital experience (43%) and a lack of personalised offerings (34%).”

What factor do you think is the top motivator for a client switching?



No pain, no gain?

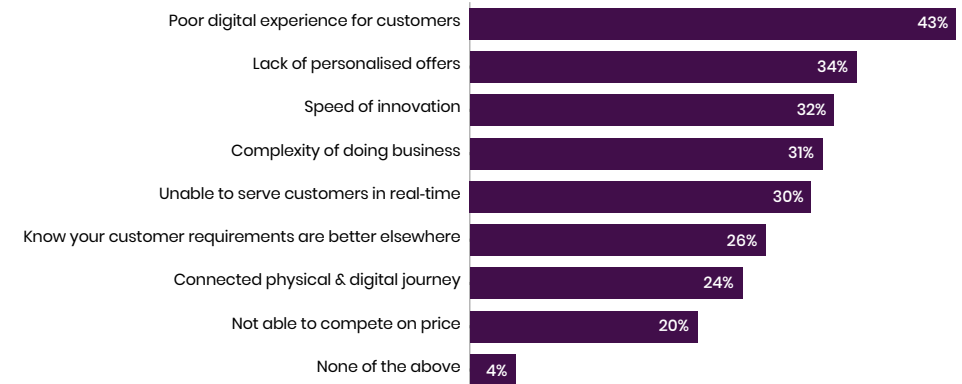
Not all challenges institutions face come from the customer. When thinking about challenges in retention, 32% of firms said their own speed of innovation was holding them back. We explored this further by asking what the specific pain points were inside their organisations, and what held them back from digitising their systems to meet the demand they see from clients.

Unsurprisingly for an industry that has always relied heavily on manual processes, we found that firms are keen to get away from spreadsheets, emails, and other laborious tasks. Some 43% of those asked pointed to these time-consuming actions as their biggest gripe.

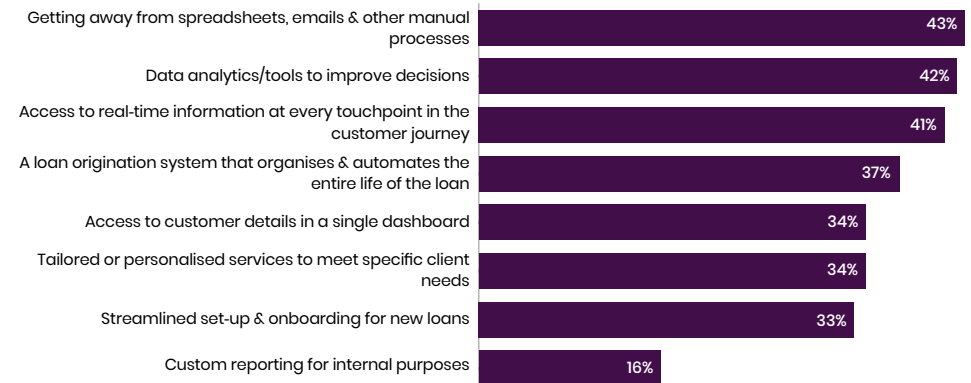
As we have seen through the data, market participants in the mortgages and lending sector are extremely keen to ensure their data is acted on to improve decisions. Some 42% of those we asked said they wanted better decision making through the use of data tools, while 41% said that access to real-time information would be key for them going forward.

The digital imperative has become so key for firms in the sector that over a third of respondents (37%) are actually keen on replacing their loan origination system with one that automates the life of a loan. However, rip and replace fear is a real factor in system selection, and we can see from the data that a functioning front end tied to an existing infrastructure may be the desire of the market right now.

What are your primary challenges in the recruitment and retention of customers? *(Please select all that apply)*



What specific pain points are inside your organisation, and what is holding you back from digitising your systems to meet client demands?



Conclusions

Emerging from the data is a key theme: that while market participants believe that they understand their end users well, they are struggling to offer them a real digital experience or services tailored to the individual. This lack of a holistic digital offering could be harming them, as customers are quickly emphasising an innovative platform, smooth onboarding, and digital processes as factors behind the lender they choose.

What's holding the industry back? Outdated processes, with agents and employees forced to grapple with manual processes, spreadsheets, and emails before they can get to work serving the customer. The market is crying out for better automated and data-driven decisions, and legacy systems just aren't holding up when it comes to these needs.

Firms have shown they need a functioning front end, digitally enabled and ready to interact, automate, and lighten the load through integration with legacy systems. While wholesale change may be a target for the future, the key to grasping the final frontier of digitisation in a timely manner appears to centre on innovating at the front end with modular and deployable tools.

Audience profile

FinTech Futures polled 104 market participants whose firms operate in the lending market. The analysis above is based on responses given by those 104 respondents. A variety of firms are represented in the sample, most commonly retail banking (38%), business banking (17%), and corporate banking (10%).

A variety of job functions are represented in the sample, most commonly C-level executives (22%), IT executives (14%), and digital leaders (13%). Most respondents were based in EMEA (66%), followed by 29% in the Americas and 22% in APAC.



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See for yourself how financial services firms are taking their technology, and their businesses, from legacy to leader with MongoDB.

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Mortgages are a digital process to be mastered

By Boris Bialek, global head of industry solutions, MongoDB



Banks in the loan origination services (LOS) business have started their digitisation and automation journeys, but they have yet to reach the mountaintop. A majority of banking executives (61%) polled for the *FinTech Futures* report said they have industry-leading Know Your Client (KYC) processes but acknowledged that they lack similar capabilities for pre-approving loans and personalising offers. In other words, they know their customers, but they also lack the means to give them personalised offers. Let's unpack this.

The client experience

The need for better automated digital processes and the slowness of the approval process are both high on the list of client concerns about loan processes.

Clients are in agreement: banks don't give approvals fast enough, they don't understand their own clients, they don't give personalised experiences, and their processes are not consumer-friendly. Yet somehow, 61% of banks claim to have industry-leading KYC processes. It's as though 40% of drivers are actually good drivers, but 90% of people believe they're part of this 40%. Can 61% of a cohort in any industry really be considered an industry leader?

Today, online mortgage brokers can obtain real-time pre-approvals and interest rates and then resell the actual mortgage servicing to a bank (at a significant fee). To attract and retain clients, banks need to operate at the same service level, if their processes will allow it. When it comes to challenges with recruitment and retention, 43% of firms say poor digital experiences for customers are a concern and 32% say their own speed of innovation is holding them back.

The innovation imperative

Real-time capabilities, AI/ML technologies, and digital processing play a significant role in customer satisfaction and business growth. A majority (56%) of banking executives say digital customer experiences (for example, chatbots and personalised recommendations) are the primary drivers for boosting market share and profitability. They also cite access to data in real time and a system for automating the life of the loan as factors that can add the greatest value to the loan process. Again we see that personalisation, real-time data, and automation are the primary themes in the LOS modernisation story — not internal processes, hiring, or investing in people.

Though most banks already offer some amount of digitised experiences to their customers, their customers are still unsatisfied with banks' pre-approval processes and personalised service. Speed, agility, transparency: few have achieved it, at least according to the survey responses, but everybody wants it.

Unmortgage your mortgage

What does KYC really mean? There's a lot riding on the answer. Merely following regulatory requirements doesn't really mean Know Your Client. Banks go through so much to onboard new clients and start businesses with them, and yet they still don't understand their motivations and desires. They're not comfortable enough with risk profiles to issue pre-approvals in a timely manner — and consider that 90% of people never switch their bank in their lifetime. This contradiction between KYC and real-time personalisation is what we mean when we say "unmortgage your mortgage". Because actually knowing your customer is a prerequisite for personalisation and delightful mortgage and loan experiences.

Transformation in the cloud

As always, traditional innovation blockers are at play. Banks cite their lack of a digitisation strategy, speed to market, and costly legacy migration as their top three concerns when

digitising their mortgage processes. They want to be innovative and quick to market, but legacy systems are holding them back, stymying digitisation strategies.

Overcoming these and other challenges requires the introduction of a modern data domain model that integrates the transactional and process workloads and augments customer data with information from other legacy and external systems.

Mortgages truly are a digital process to be mastered.

MongoDB Atlas is perfectly suited for this purpose. We have deep experience building customer 360 models that can be mapped to omnichannel interactions. Our ability to integrate mobile experiences, search capabilities, and real-time analytics (for example, scoring for consumer ratings while that consumer is on a web page) makes MongoDB the proven data platform for mortgage modernisation and true digital transformation.

“*What we're seeing is the difference between the practice of ensuring compliance with local regulations and a strategy for really understanding the client. While modernisation investments have helped automate much of the paper-pushing related to compliance, transforming customer experiences and making LOS more transparent have yet to be achieved.*

Most executives in the survey planned on leveraging real-time analytics, AI/ML, and workflow software to improve processes. These are all technologies that can take KYC processes beyond simple compliance use cases and lead to more value-added, personalised client relationships.



Boris Bialek, global head of industry solutions, MongoDB

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About FinTech Futures

FinTech Futures is a digital publishing platform for the worldwide fintech community – from the industry veterans to those just entering the space, and everyone in-between!

We provide daily news, in-depth analysis and expert commentary across a comprehensive range of areas.

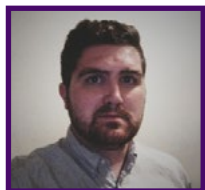
Our broad readership and solid reputation, combined with in-depth coverage across fintech on a worldwide scale, makes us the leading resource for technology buyers, sellers, developers, integrators and other specialists across the sector.

Our website attracts nearly one million monthly page views and our daily newsletter is delivered to over 42,000 key decision-makers in the financial services and technology sectors. The brand is active across the key B2B social media platforms, with over 40,000 followers on Twitter @FinTech_Futures and over 20,000 members in our LinkedIn groups.

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Alex Hamilton is deputy editor at *FinTech Futures*. He has been reporting on the financial technology sector for more than five years across a variety of industry publications and has written extensively on digital transformation, cybersecurity, and enterprise technology. He holds a masters degree in ancient history from the University of Nottingham.

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