



Can Lenders Catch Up to Consumer Demand in 2022?

Introduction

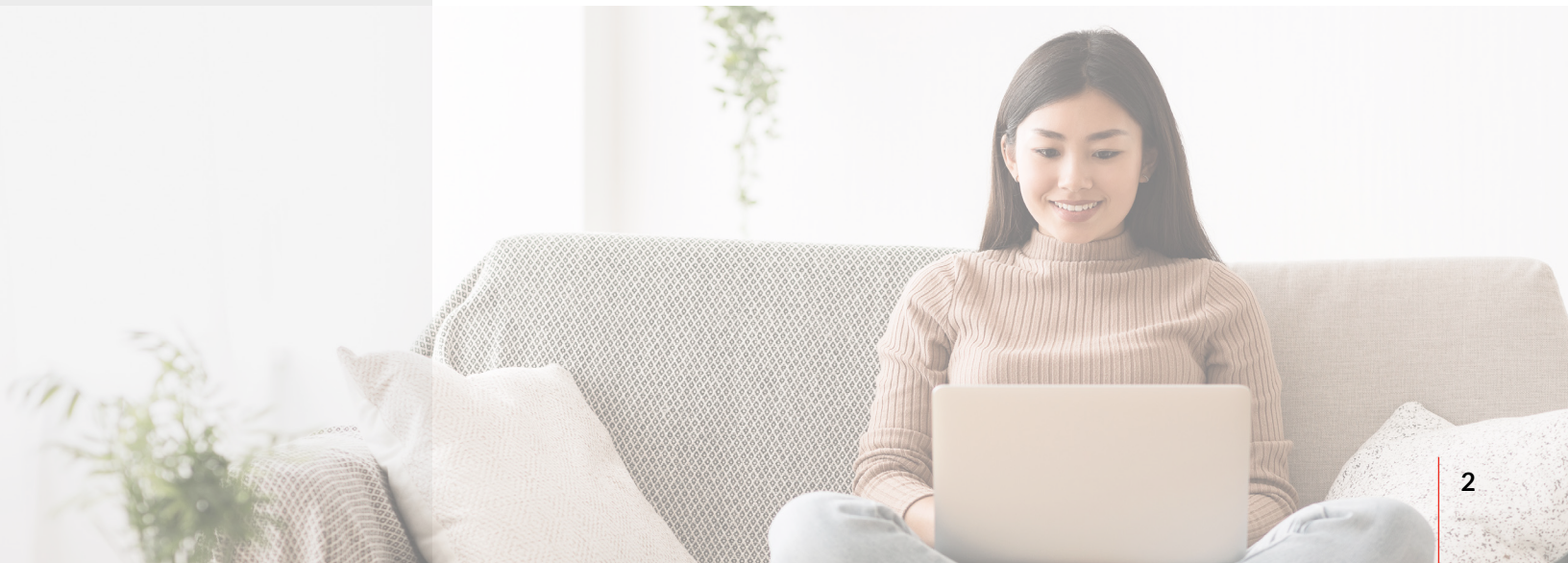
As the housing market exploded amid COVID-19 stay-at-home orders, the mortgage industry saw a huge shift in how consumers approach lending. Now, lenders are doing everything they can to meet evolving customer expectations and stay ahead of the curve.

Working from home demanded a digital acceleration that many lenders did not see coming, and traditional lenders scrambled to adopt new technology to successfully originate mortgage loans from home. Meanwhile, consumers quickly adapted to the 'new normal' of shopping online for a mortgage, driving an increasing demand for digital mortgage services.

Now more than ever, a streamlined digital process and low rates are critical to attracting new customers. Even as some lenders return to the office, the digital lending phenomenon will make many in-person, referral-based lending best practices a thing of the past.

In 2021, the message became clear: mortgage lenders must adapt to survive. As a result, the right technology stack has become even more essential to not only acquire leads, but to build and maintain better relationships with prospective homebuyers.

As retail lenders rush to catch up, direct-to-consumer (D2C) lenders have excelled at meeting customer expectations during the pandemic. In this white paper, we will examine how D2C lenders are poised for success in 2022 and what strategies traditional lenders can adopt from them moving forward.



The Future of Mortgage Lending in 2022

As purchase mortgage originations continue to rise, there are some important considerations traditional lenders need to consider to engage new customers in 2022. Meeting borrowers where they are and understanding their research process will help lenders solidify their market share, expand their portfolio, and leverage technology to create lifelong customers.

This year, the Federal Reserve will play a major role in determining whether new home purchases or refinancing will dominate the marketplace. If the Fed raises rates, borrowers may be more reluctant to buy as houses become less affordable, especially in areas where housing prices have skyrocketed and bidding wars became more common. Considering home prices across the U.S. [increased by 17.2% year over year](#) from July 2020 to 2021, affordability is already a concern for borrowers, especially those living in areas with limited housing availability.

“**As the seller’s market cools down and fewer buyers apply for mortgages, lenders need to focus more intentionally on lead generation without compromising or risking their margins. Tailored pricing will offer lenders a huge competitive advantage and provide a better customer experience for borrowers.**”

Should the Fed forgo a rate change, demand for new mortgages will likely taper off or slow, so competition for those borrowers will increase. Borrowers may still be interested in refinancing opportunities, so maintaining existing customer relationships will be essential to keeping a strong portfolio.

Meanwhile, borrower shopping habits and expectations have changed dramatically since the onset of COVID-19. Borrowers eager to take advantage of low interest rates started researching from the comfort of their homes, rather than receiving lender referrals from realtors or bankers. Prospective homebuyers are also now hyper-focused on rate shopping, meaning lenders need to offer competitive rates to stay ahead.

D2C lenders, who often excel at reaching buyers early in the research process, deliver valuable customer experiences that simplify the origination process, offering pre-qualification in 3 minutes or less. As borrowers share their experience with fast and easy loan origination processes, traditional lenders will need to both play the rate game and adapt to new standards for exceptional customer service.

What Do Borrowers Expect Moving Forward?

Now that these digital-savvy homebuyers know that a fully digital mortgage experience is possible, there's no turning back. Many value-conscious shoppers are accustomed to finding the best deals while shopping online via sites like Amazon, so their first priority will be to locate the most competitive rate.

Plus, unlike previous generations of mortgage shoppers, these borrowers are less likely to have an existing personal relationship with a banker, realtor, or lender. Without these trusted advisory relationships, borrowers are spending more time deeply researching the homebuying process and requirements themselves. Lenders who can make the mortgage origination process clear and easy to understand will inevitably capture more leads at the top of the sales funnel, offering more time to build a lasting relationship with prospective borrowers.

In a competitive seller's market, speed is key for many borrowers. When borrowers see a home they love, they need to be able to start the mortgage process right away to present a strong offer. In 2022, faster process times and response times from lenders will be critical for gaining new customers. If a prospective borrower sees they can get pre-approval in minutes from an advertisement on Zillow, the expectation is set that the mortgage process will be quick and easy. A sluggish process can quickly turn off new homebuyers that are now so accustomed to the conveniences of 2-day shipping and curbside pickup.

A fully digital experience can play a significant role in speeding up the lending process by allowing borrowers to complete forms and upload documents from their home computers or cell phones. Yet, despite the desire for a fully digital experience, many millennial consumers are first-time homebuyers who still want and need dedicated support from their lenders. Various communication options are still important to these shoppers, who may have a lot of questions for their lender. While [50% of shoppers choose lenders with an online portal](#) to submit documents and complete their applications, these prospective homeowners still need multiple communication channels to build a trusting relationship with their lenders. With the right technology stack in place, traditional lenders can leverage their exceptional customer service skills to truly stand out in the marketplace.

Where the Mortgage Industry is Delivering This Experience... And Where It's Not

Ultimately, every mortgage lender has the same goal: to help borrowers buy the home of their dreams. However, D2C and traditional lenders have different views on what it takes to accomplish that goal.

While retail lenders focus on building relationships with borrowers, opportunities are still in large part driven by sales teams or loan officers. The role a mortgage lender plays in the lead generation process is changing, and traditional lenders have always depended on referrals to be the main lead driver. While traditional lenders often develop lifelong customer relationships, this mindset focuses on supporting borrowers once they are in your office—rather than meeting them where they are.

Meanwhile, D2C lenders are taking a digital-first approach, connecting with borrowers online and through social media. As borrowers become more accustomed to digital-first processes across multiple areas in their lives, D2C lenders are adapting to support borrowers through the initial steps of researching the mortgage process and finding an appropriate lender based on their personal needs. Where D2C lenders can sometimes fall short is in regard to the customer experience: despite the speed and convenience of a digital-first approach, borrowers still want a hands-on relationship with their lender. While D2C lenders can provide personalized communication at scale, they may not be able to provide the customized support that comes with a traditional mortgage lender.

With D2C lenders, first-time homeowners may find themselves more confused or caught off-guard by the process. Without the leadership of a trusted advisor, borrowers can easily become frustrated. However, with less overhead and more opportunities to scale operations, D2C lenders can often offer low rates tailored to individual buyer scenarios without compromising their margins.

As [per-loan profit continues to drop every year](#), many traditional lenders struggle to compete with D2C lenders on rate charts, where many borrowers are starting their research process. Retail lenders will need to automate and simplify more of the loan process to stay afloat in 2022 and beyond. Traditional lenders who adopt new technology and analytics to stay competitive on rates have a unique opportunity to bake exceptional customer service into more scalable digital processes.

D2C Strategies that Improve Margins

We all know more leads can drive higher revenue. But, as origination costs continue to increase, digital acceleration is the only sustainable way traditional lenders can maintain market share and strengthen their value proposition with modern borrower expectations. Now, retail lenders must shift from a growth mindset to a scale mindset to remain relevant.

Leveraging intelligent automation is a must for retail lenders to increase their margins and reduce costs. Acquiring leads digitally may seem like an expense that traditional lenders can't take on; however, with the right technological support, lenders can reach many leads simultaneously without compromising personalization.

Another (potentially) costly misconception is that traditional lenders do not directly compete with D2C lenders. The harsh reality is that each and every one becomes an instant, direct competitor as soon as the tri-merge credit report is pulled. It is also important to note that the credit score displayed to a lender may vary dramatically from the free credit score a borrower is able to obtain online, even more reason for traditional lenders to be prepared to compete in these conditions.

Automation empowers lenders to do more with less time and resources, so lending teams can be more efficient and still provide an exceptional customer experience. As warm leads begin the pre-qualification process independently, lenders can spend less time on paperwork and more time providing support for borrowers. Powerful digital portals that are supported by automation help lenders quickly request and receive the necessary documents and signatures, which can cut hours and even days off the origination process.

A willingness to adapt to new technology is at the crux of traditional lender's modernization journey. In order to thrive in 2022 and beyond, traditional loan officers will need to see their work in a whole new light and understand that the competitive landscape has become even more intricate. While previously their role was to guide new borrowers through a complex mortgage origination process, now they are tasked with making the mortgage process as seamless as possible for new borrowers. While the mindset may not feel drastically different, LOs attached to how things have always been done may struggle to deliver on customers' evolving expectations.

Revisiting the Value Proposition to Stay Competitive

The dedication and knowledge traditional mortgage lenders bring to the table are valuable assets to digital-savvy borrowers. However, without adopting digital tools to support lead generation and efficiency, retail lenders will find themselves struggling to find new borrowers in 2022.

Many traditional lenders who resisted the impending digital acceleration now find themselves at a dismal crossroad: adapt or crash. When competition is just a back browser away, lending teams need the support of technology to get their brand in front of new homebuyers.

“ Plus, as margins continue to compress, traditional lenders need to leverage technology to successfully scale and secure placement on rate charts. Otherwise, trying to compete on rates without changing processes or improving efficiency will drive traditional lenders into financial ruin. ”



Can Lenders Catch Up to Consumer Demand in 2022?

In today's lending environment, traditional lenders need to reassess their value proposition and implement the tools they need to provide exceptional customer service at scale. Without tapping into digital channels to attract new leads, traditional lenders are missing out on a critical customer base that will only continue to grow. That is where digital disruptors in the mortgage space can offer a new perspective and approach; enter Nomis Solutions.

Interest rates are changing constantly, and providing affordable rates is essential to getting your brand in front of more prospective buyers. As more and more borrowers begin their mortgage process by reviewing rate charts, it is imperative that your brand top the charts. Nomis Solutions empowers leading mortgage lenders with the benchmarking data they need to gain a competitive edge on pricing... even against D2C lenders.

Today's modern borrowers is moving far faster than lenders, and traditional lenders need to adopt the right tools in order to keep up. Nomis Solutions best-in-class mortgage technology helps your team offer dynamic, personalized pricing without risking your margin, so you can help more borrowers move into the homes they love.

ARE YOU READY TO ACQUIRE NEW, AFFORDABLE LEADS IN A SMARTER, MORE EFFICIENT WAY?

**Get started
engaging new
borrowers online
immediately.**

Schedule a
zero-obligation
consultation
today!

