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THE POWER OF PREDICTION IN DIGITAL MORTGAGES

The battle to acquire mortgage customers in the digital era is more challenging than ever before. A more diverse set of mortgage lenders, product options, touchpoints and consumer demands make it difficult to attract borrowers, especially for established lenders that rely on their retail footprint for acquisitions.

RIGHT BORROWERS. RIGHT MESSAGES. RIGHT CHANNELS. RIGHT TIME.

The rise of digital mortgage lenders is threatening traditional lenders' market share. The majority of top mortgage lenders by origination in 2016 (six out of 10) were nonbanks, up from just two in 2011.[1] Based on Accenture research and the level of industry disruption and consolidation, 20 to 30 percent of today's lenders will be gone by 2020.

Digital is not just changing the players; it is changing the game. Consider the new role for data in mortgage acquisitions. The huge volume and velocity of digital transactional data is a blessing and curse for mortgage lenders. The good news is that they have a wealth of data about who potential borrowers are, what they need and how they behave—a treasure trove of insight for personalized acquisition marketing. But only if they can harness the right data.

The bad news is that harvesting consumer data insights to drive meaningful lift in customer acquisitions can be like finding a needle in a haystack that is getting bigger fast. Without the right tools, it takes time and money. It is also difficult to do well at scale, and creates data management and privacy challenges to remain compliant with fair lending regulations.

This is where predictive mortgage acquisition comes in. It brings all the right tools together—programmatic marketing platforms, advanced analytics and artificial intelligence—so lenders seize on signals to break through with borrowers earlier in the journey to homeownership.

The past is the past

Business as usual in mortgage acquisition today is limiting banks' mortgage acquisition marketing performance:

THE BANKS HAVE BLINDERS ON.
Traditional lenders are often the last to know that their customers are mortgage shopping thanks to a product-first, customer-next focus and a lack of data sharing and integration across banks' product and service areas.

SPRAY AND PRAY HAS HAD ITS DAY.
Whether online or offline, static mass marketing campaigns released by the month instead of in-the-moment deliver generic messages that do not connect on an individual customer level and only add to the marketing noise.

EVERY JOURNEY HAS FITS AND STARTS.
Customers do not shop for mortgages in a neat, linear process like a textbook sales funnel. They explore, change course and start over in a here-today, gone-tomorrow dance of decision making across channels and resources.

THE BACK OFFICE IS BACKWARDS.
Aging systems, organizational silos and a lack of digital investment can complicate and extend an inherently paper intensive mortgage acquisition process. It can take four to six weeks for banks to close a consumer mortgage loan.

THIS TIME, IT'S PERSONAL

Data-driven personalization is the hallmark of more predictive approaches to mortgage acquisition marketing, and a departure from what is broken about today's system. Lenders must identify the triggers that influence borrowers' decisions in real time and respond accordingly. This is key to engage customers and enhance their experiences.

Unfortunately, many banks are not properly leveraging the data assets they possess within their organizations and across ecosystem partners to execute real-time, well-informed decisions when they lend money.

Banks can do better. They have a critical advantage over niche digital-only loan providers in terms of access to data about current customers. Not only do banks have rich data about their customers, but also, consumers trust banks with their data, which can seed strong relationships as banks build digital business models. In fact, a new Accenture banking global distribution and marketing consumer study reveals that 67 percent of customers are willing to share more data with their bank than they do today.[2]

Lenders need to seek borrowers beyond traditional mortgage channels. After all, borrowers, don't stop being borrowers when they leave industry sites. Lenders can unlock customer data with predictive mortgage acquisition to create a more comprehensive view of borrowers across silos, systems, channels, products and audiences.

Predictive mortgage acquisition works at scale, and across devices and physical and digital channels in a plug-and-play mode that does not require constant human intervention. It depends on these digital technology workhorses:

PROGRAMMATIC MARKETING relies on data management platforms that store and cull rich customer attribute data from first-, second- and third-party data to build customer insight based on people's online behaviors wherever they browse. Data activation and decision platforms place curated advertising on paid and owned media.

ADVANCED ANALYTICS helps lenders to understand customers with insight into device usage patterns, recent behavior trends, purchase history and more, continually evolving customer understanding, and in turn, customer interactions and experiences. Instead of targeting segments, lenders respond to situations.

ARTIFICIAL INTELLIGENCE automates personalized marketing to acquire customers at scale, speed processes, limit resource use and cut costs. Machine learning helps systems glean insights from patterns in customers' behaviors and data relationships to refine and predict next-best-actions to elicit desired responses.

Some lenders using predictive mortgage acquisition have seen click-through rate improvement six times compared to industry benchmarks. Several lenders achieved a cost-per-acquisition (CPA) of as low as $45.[3] The benefits are unmistakable. So how can traditional players use real-time customer insights to influence mortgage borrowers exactly where and when they are most receptive?

Consider the story of a major international bank's American Mortgage Division. It launched an acquisition campaign with the goal of achieving a CPA target of $70 per application submission. Using predictive marketing and data activation, the bank achieved a $63 CPA the first year, and a $43 CPA the second year. Using predictive marketing technologies, the bank's platform provider beat both of these results the following year by leveraging more data, driving efficiencies while enhancing the customer experience through personalized messaging.[4]

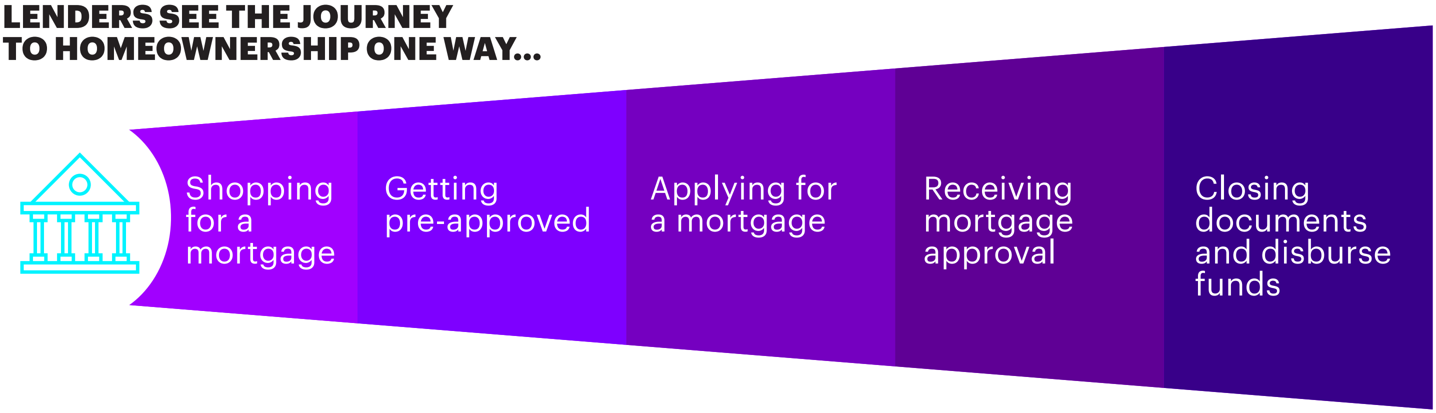
MARKETING TO MOMENTS

Acting on moments of influence in the customer journey is at the heart of predictive lending. These moments are turning points that determine whether customers could convert or not—zero moments of truth where connections are made and relationships deepened.

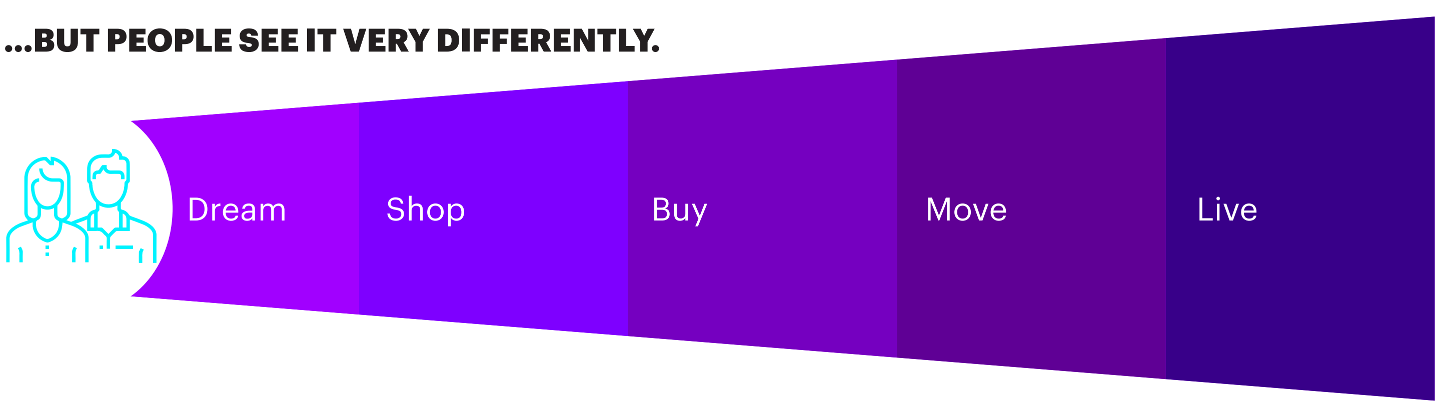
Predictive lenders focus on "being where borrowers are" at these times. This is unlike traditional lenders who focus more on internal process flows and metrics. While such initiatives can improve efficiency, they undercut the customer experience by making it a secondary concern.

The reality is that people actually do not want to buy a mortgage. They want to access capital to buy a home—build a life. When lenders acknowledge this and put the customer perspective first, they can deliver messages at the right moments that are relevant, personalized—and welcomed.

LENDERS SEE THE JOURNEY TO HOMEOWNERSHIP ONE WAY...



...BUT PEOPLE SEE IT VERY DIFFERENTLY.



There are ways to do this across the entire mortgage acquisition lifecycle. To connect with anonymous consumers early on, lenders can build a digital advertising presence outside of the usual suspects such as Zillow or realtor.com®. With predictive marketing, lenders can analyze every touchpoint, assessing context, third-party search data and attributes to a granular level.

The more that lenders learn about prospects with data analysis, the more they optimize interactions. Insights can be specific to the borrower and the broader environment. For example, data patterns might reveal a consumer is less likely to abandon a page when browsing on the weekend. Or analysis can factor in the impact of a bump in the Dow on intent to purchase.

Banks have untapped opportunities to influence their own customers. While 66 percent of respondents to Accenture's 2016 North America Digital Banking Survey[5] are likely to apply for a mortgage from their primary bank in the future, Accenture experience reveals that only 10 to 20 percent of people go directly to their primary bank for a mortgage. By analyzing first-party data across products and services, banks cross-sell to a ready audience of people who already know their brand.

Digital tools can create a smoother loan application process for existing and new customers. Speeding up the process helps lenders keep pace with newcomers whose value propositions revolve around rapid loan processing timelines. This can mean using digital channels to communicate and answer questions. It can also include digitizing product education and rate shopping and providing electronic document submission, signatures and application completion.

By creating a provider ecosystem, mortgage lenders can connect borrowers to value added services. Survey respondents say that one of the top services that would increase their loyalty to their bank would be informing the bank they want to buy a home and receiving recommendations on areas, homes and realtors who would fit their needs.[6] USAA's Home Circle® mobile app connects people to services to find and insure their homes.[7]

Predictive lenders that continue to curate and deliver relevant messages and offers to mortgage customers *after* they have closed the deal can create brand loyalists—and lay the groundwork to acquire new loans in the future.

ANA'S FIRST MORTGAGE

A day in the life of predictive lending

ANA'S EXPERIENCE		BEHIND THE SCENES
It's a rainy Saturday afternoon, and Ana is online. She got a promotion at work a few months back, and she's ready to get serious about buying her first home. She's even had her eye on a trendy neighborhood near the office.	1	Real Friendly Bank is looking to grow its mortgage lending customer base.
Browsing Bankrate®, Ana clicks on a banner ad for Real Friendly Bank. She lands on a page that's focused on information about mortgage products and services. She's intrigued, but interrupted by a phone call. Her friends invite her to happy hour. She's out the door.	2	Ana is an anonymous user, not a Real Friendly Bank customer. But the predictive marketing tool knows that customers like her—those browsing on this mortgage related site—typically are interested in mortgages. That's why she sees a customized message and hero image when she comes to the site for the first time.
Two weeks later, Ana is reading the *Sunday Times* online and sees an offer for homebuyers from Real Friendly Bank. She clicks on it.	3	Based on her cookie profile, the predictive marketing tool has served Ana up an ad that is personalized to her expressed interests.
Ana has been on the site a while. A chat window opens up, asking if she needs help. After getting a few questions answered, she decides to get pre-qualified. She immediately gets an email thanking her for applying.	4	The predictive marketing tool infers that Ana's likelihood of signing up is high, and that chat services may help seal the deal.

ANA'S EXPERIENCE / BEHIND THE SCENES

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ANA'S EXPERIENCE

When she meets with Elizabeth at the branch the next day, Ana signs up for a savings account and downloads a new homeowner app.

BEHIND THE SCENES

Real Friendly Bank partners with Happy Homes home improvement store as part of a broader ecosystem that offers relevant services to mortgage customers. Because purchasing a home is about living in it too.

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ANA'S EXPERIENCE

Settled into her new home a month later, Ana is on her favorite social media site after work. She sees an ad from Real Friendly Bank with some great rates for a savings account. She plans to stop by the branch tomorrow to talk options with an adviser.

BEHIND THE SCENES

Now that Ana is a customer, Real Friendly Bank knows a lot more about her—from her browsing habits to her financial information. The bank continues to use predictive modeling to bring her personalized offers, making the most of cross-selling opportunities. It's a win-win for Ana and the bank.

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ANA'S EXPERIENCE

It doesn't take long for Ana to find the ideal place. She's heard horror stories about how complex the mortgage process is from here. But it is a snap for her. She's been able to check information about the bank's mortgage products on her tablet throughout the process. Now she uses her smartphone to complete and submit the application she had already started online, signing the documents electronically.

BEHIND THE SCENES

Real Friendly Bank knows that keeping Ana happy—and keeping her as a customer—means confirming that the whole journey to homeownership is seamless, and focused on Ana's needs, not bottlenecks and antiquated processes.

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ANA'S EXPERIENCE

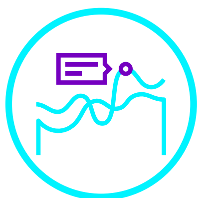
Ana is out the door a few minutes later to go to the gym. She is thrilled to get a text alert and call telling her she has qualified for a mortgage. She plans to look at some homes next week with her realtor.

BEHIND THE SCENES

Messages are seamless and consistent across all devices and channels to support the most impactful engagement. Lenders can connect with borrowers on their preferred channels, using auto generated responses or live advisers.

BRINGING IT ALL HOME

As traditional lenders evolve to the new and trade old ways of working for predictive mortgage acquisition, they should stay true to these fundamentals:



MARKET TO MOMENTS, NOT SEGMENTS.

Rather than analyze historical data or basic demographic segments, predictive lenders work and react in the moment. They generate real-time models that assess transactional moments to anticipate customer expectations based on thousands of real-time signals and understand the attributes of buyers.

IDENTIFY PEOPLE, NOT DEVICES.

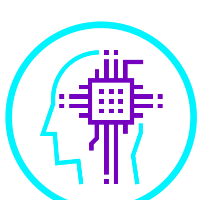
Predictive lenders are customer-centric, not product or device-centric. They use cross-device systems to unify customer profiles, pooling all data and all devices with certainty. This allows them to treat customers appropriately and consistently no matter what channel or device they are using at the time.

OPTIMIZE FOR THE JOURNEY, NOT THE FUNNEL.

Customers move from awareness to purchase in their own ways. To make the right decisions, marketers need the right real-time data fast. The final sale is not the end. When retention is the goal, the customer journey is ongoing, so anticipating future actions that extend customer engagement is critical.

TRUST OWNED, NOT RENTED DATA.

The data that makes a difference in a predictive world does not come from purchased data sets. That is why first-party data is a predictive lender's biggest asset. The best decisions and innovations emerge by using proprietary data collected over time.



DECIDE ON INTELLIGENCE, NOT DATA.

All the data in the world—even marketers' own—is useless unless it is converted to intelligence and applied. Predictive marketing moves beyond gut instinct and requires precise processing of data into decisions over and over again, so the system continually learns and optimizes what it knows, and how it responds.

The digital future of the mortgage industry is still being made. In the battle to acquire customers and deliver superior customer experiences, one player may well rise to take the lead in digital mortgages. Whether this is an online newbie or "the old guard" is not yet decided. What is certain is that market leaders will excel in predictive mortgage acquisition.

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