

INNOVATION BRIEF

Enhancing Member Communications Throughout Mortgage Underwriting

Results from the HomEase Prototype Test

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INTRODUCTION

At Filene, everything we do starts with research, but research alone doesn't move an industry. It stokes ideas and a select few of those ideas hold the potential to be tested for in-market use.

Filene's Prototype Lab takes promising i³ concepts and actively prototypes them on a small scale before further testing or investment. That's how we bring our best ideas to the market.



Mar 2010

Exploring Ongoing Member Loyalty: Net Promoter in Credit Unions

Apr 2013

An i³ team presents HomEase at The George Washington University. An i³er subsequently tests the concept further at their credit union.

Feb 2015

Prototype is developed in conjunction with D+H and testing begins in the Filene Prototype Lab

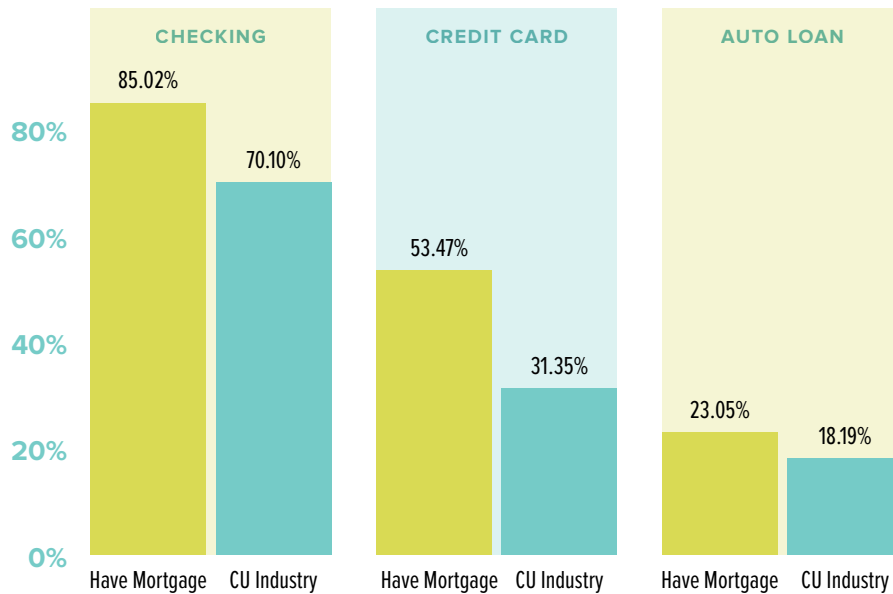
Dec 2015

Observations and learnings shared with credit unions; concept developed for further testing

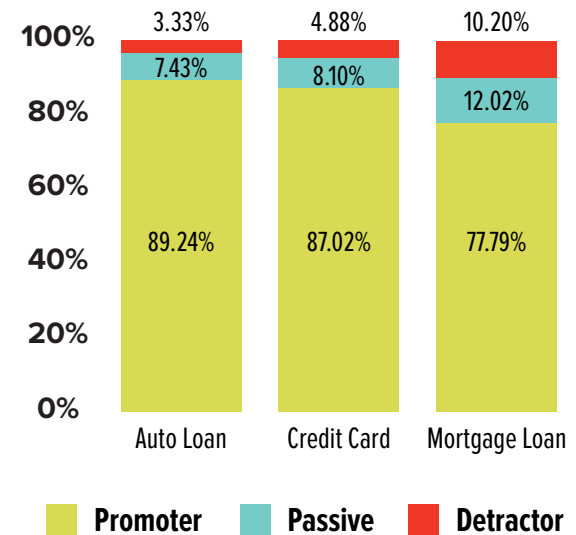
THE ROCKY ROAD TO HOMEOWNERSHIP

Increasingly, presence of a mortgage is a key indicator of primary financial institution (PFI) status for credit unions. However, Net Promoter Score (NPS) – a key measurement of member loyalty and likelihood to refer – when measured across a wide variety of credit unions is lowest for members who have just completed a mortgage. A lengthy process full of unknowns may lead to a less-than-stellar experience.

PERCENTAGE OF MEMBERS WITH PRODUCTS



NPS ASSOCIATED WITH KEY LOAN PRODUCTS



Source: Member Loyalty Group, 2012

LANDING ON FILENE i³'S RADAR

- › Filene i³ innovators developed a unique solution to address gaps in mortgage loan satisfaction inspired by a *famous online pizza tracker*
- › A *rapid prototype* was developed at Air Academy FCU to proactively give members mortgage underwriting updates at key milestones
- › Initial testing took place over *six weeks*
- › Average number of inbound mortgage-related calls per member *declined 28%* (from 6.1 to 4.4 calls)
- › *48% of mortgage applicants* used HomEase during initial testing
- › Intrigued, Filene selected HomEase for further testing in our *Prototype Lab*

PARTICIPATING ALPHA LAB CREDIT UNIONS

Air Academy Federal Credit Union — Colorado Springs, CO — \$506 million (assets)

Credit Union 1 — Anchorage, AK — \$920 million

Fort Community Credit Union — Fort Atkinson, WI — \$215 million

Infinity Federal Credit Union — Westbrook, ME — \$297 million

Kauai Community Federal Credit Union — Lihue, HI — \$414 million

NorthCountry Federal Credit Union — South Burlington, VT — \$477 million

Sandia Laboratory Federal Credit Union — Albuquerque, NM — \$2.2 billion

Tuscaloosa Credit Union — Tuscaloosa, AL — \$65 million

University of Illinois Employees Credit Union — Champaign, IL — \$298 million

Northern Federal Credit Union — Watertown, NY — \$211 million



EMPLOYEE AND MEMBER EXPERIENCE

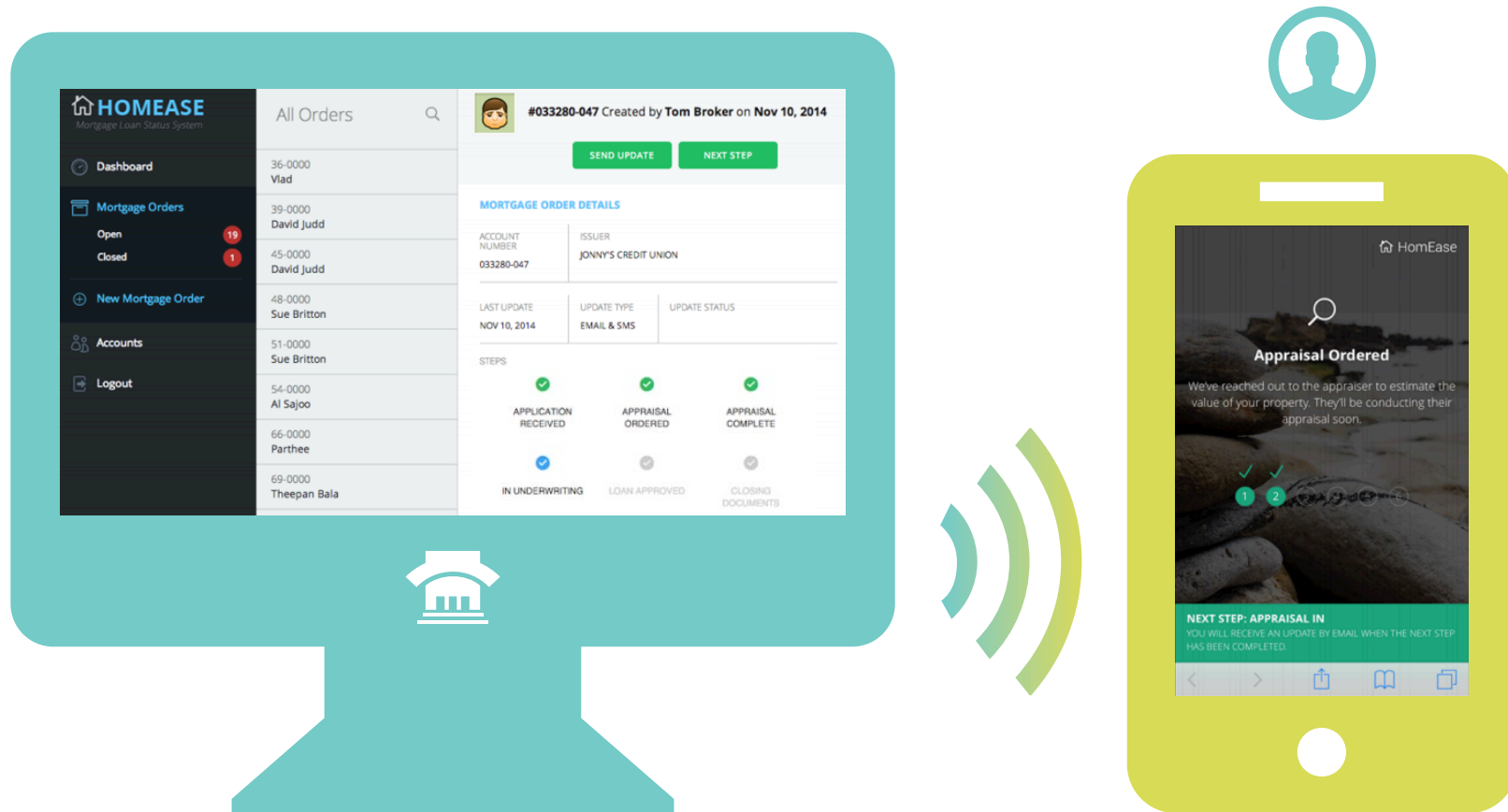
1. Soon after receiving a submitted mortgage application the credit union establishes an order on HomEase using a browser-based administration portal
2. Depending on communication preferences, the member is sent a text message and/or e-mail with a custom link to receive a mortgage application update
3. Upon clicking the link, members are taken to a responsively designed web page with details about their current mortgage application status and what milestone to expect next
4. As underwriting progress is made, the credit union updates the application within HomEase and the member automatically receives a new link with an updated status
5. To maintain loan origination system (LOS) impartiality and to deploy a rapid prototype, automated LOS integration was not developed during the initial test phase

STANDARDIZED HOMEASE MILESTONES



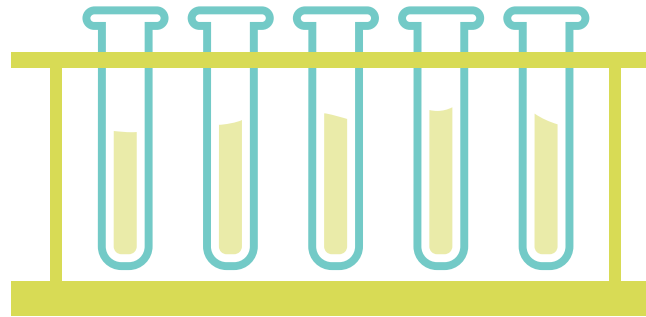
EMPLOYEE AND MEMBER EXPERIENCE

The credit union administration portal was designed for selected employees to quickly indicate manual updates to individual loan statuses. On the member side, text messages or e-mail links take the user to a responsively designed, visually appealing status update.



PROTOTYPE TEST METHODOLOGY

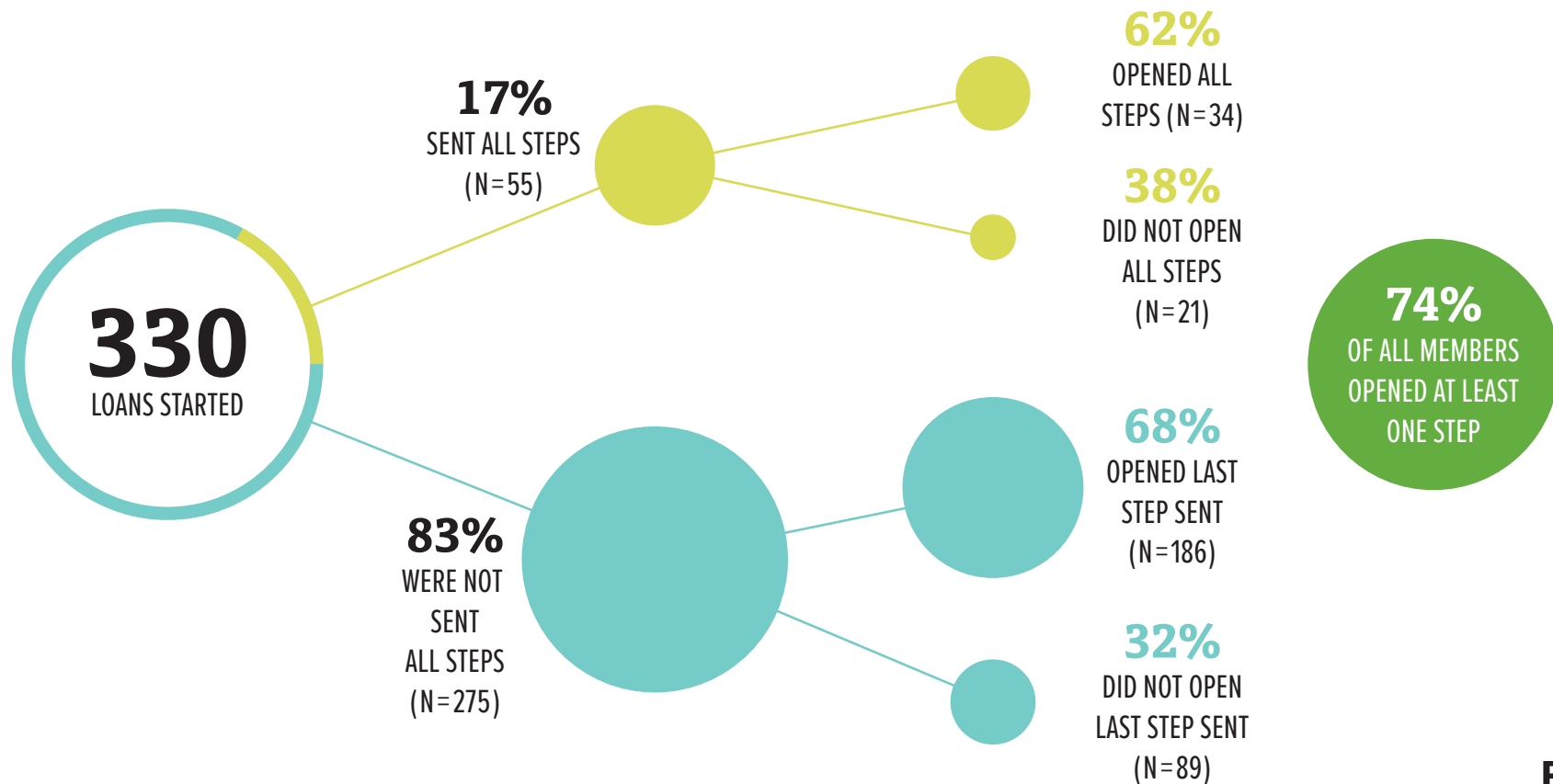
- › Credit Union employees used the HomEase administration portal to manually send notifications to members during the six stages of the mortgage process
- › Filene received data on open rates, timestamps, and interaction methods directly from HomEase for each member
- › Members were invited to complete a satisfaction survey at closing or soon thereafter
- › Participating credit union employees provided qualitative feedback every two weeks
- › Participation was complimentary for credit unions and their members



USAGE RESULTS

Nearly *three-fourths* of all members invited to use HomEase during the prototype test period used the system at least once; *two-thirds* of all members invited to use HomEase opened all milestone alerts they were sent.

MOST MEMBERS USED HOMEASE WHEN OFFERED (ALL CUs)



QUALITATIVE RESULTS

Feedback from credit union employees was generally strong and highlighted opportunities for improvement with future iterations of HomEase:

“Very easy for our staff to use.”

“Would like more variety in the phrases available.”

“Love it and will continue using it.”

“Members think it is cool to get these updates.”

“Would work better for larger credit unions with additional mortgage employees.”

“Received calls from members assuming they were approved based on first update sent.”

“Manual updates lead to human error.”

OBSERVATIONS AND NEXT STEPS

- › Member satisfaction was lower for members who used HomEase compared to those who did not use the system. Satisfaction should improve with **more variety in the types and ordering of milestone alerts** to better reflect individual credit union mortgage operations
- › Allow credit unions to **incorporate their individual brand** to better connect HomEase with their identity
- › **Offer additional information with relevant updates**, such as the name and phone number of the appraiser that will visit
- › **Integrate updates with the loan origination system** to eliminate manual work and the risk of errors or omissions by credit union employees

Filene will work with D+H over the next several months to evaluate and implement next steps for further testing and potential commercialization of HomEase. Our Incubator results indicate a tremendous interest in this system and an opportunity to deliver better member satisfaction by addressing the improvements noted here. We look forward to sharing the future of HomEase with credit unions!



ACKNOWLEDGMENTS

Filene thanks the original innovators who developed, built, and tested HomEase during the 2013 Filene i³ cycle:

- › **Brad Barnes**, Air Academy Federal Credit Union
- › **Adam Marlowe**, Georgia's Own Credit Union
- › **Michelle Merkley**, Keystone Federal Credit Union
- › **Denise Wymore**, 6th Story

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ABOUT Filene



Filene Research Institute is an independent consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues vital to the future of credit unions and consumer finance.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: *“Progress is the constant replacing of the best there is with something still better.”* Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

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