

Market Commentary

Reimagining mortgage lending: Canadian homebuyers seek a more complete experience

How the mortgage lending industry must evolve to better support Canadian homebuyers.

When it comes to buying a home, Canadian consumers are willing to make the leap, but many are unsure about the process required to obtain a mortgage, according to the CMHC Mortgage Consumer Survey. An additional study, conducted by Rates.ca, explains why and where consumers struggle with home buying and obtaining a mortgage.

According to the survey report, half of respondents were unaware of the various financing options available to them, and the majority did not understand mortgage basics, such as the fact that interest is charged semi-annually.¹

Given the knowledge gap and overall level of uncertainty, forty-two percent of home buyers welcome guidance and support,² trusting professionals, such as brokers and lenders, to lead them through the process.

To ensure they make the right choice when selecting a lender or broker, over two-thirds of Canadian consumers rely on referrals from friends and family.³ Because consumers are likely to base their decision on recommendations, the service provided by a mortgage lender or broker becomes critical to future growth.

To put it simply, a referral-worthy lender or broker must be on its toes, able to meet consumer expectations for a seamless experience. However, the turn toward online buying and the technology-enabled environment offered through the retail sector has reshaped the homebuyer's perception of fast and easy. According to research conducted by KPMG, seventy-five percent of Canadians now expect companies to provide a frictionless experience.⁴

About the author



Siobhan Byron,

SVP, Technology Enabled Managed Services,
Finastra

With more than 25 years of experience in IT and channel management, Siobhan has a proven track record leading and growing prominent technology companies. In recent years, Siobhan was the Vice President and General Manager of Westcon-Comstor Canada where she led the company's operations in the region. Prior to that she was President, Forsythe Technology Canada. She's a leader in the technology sector, earning a prestigious spot on Computer Dealer News' 'Top 20 Women of the Channel' list and being named among CRN's 'Top 100 Women of the Channel' in 2017 and 2018. She currently serves on the Oakville Hydro board of directors.

Creating value inspires loyalty

Fortunately, similar technological advancements have come to the mortgage industry. It is now possible for brokers and lenders to combine channel proficiency with seamless access to the products and services customers need to deliver a complete home buying experience.

//
Even before COVID-19 restrictions limited in-person contact, half of consumers responding to the CMHC survey wished their broker or lender would increase technology integration in the mortgage process.⁷ Now, with more consumers seeking remote interactions, digitization has become key to the success of mortgage lenders and brokers.

Currently, homebuyers give mortgage brokers and lenders satisfactory marks for experience. Just over seventy-five percent said they are happy with their choice of lender or broker.⁵ However, when it comes to providing repeat business and offering referrals, nearly half passed on the opportunity.⁶

To build long lasting relationships that inspire referrals and business growth, mortgage brokers and lenders need to consider their customer's complete buying journey. Of course, that means evaluating current operations for bottlenecks and adopting solutions that increase efficiency, but also seeking opportunities to add value to the customer experience.

Value is built first through technology adoption. Even before COVID-19 restrictions limited in-person contact, half of consumers responding to the CMHC survey wished their broker or lender would increase technology integration in the mortgage process.⁷ Now, with more consumers seeking remote interactions, digitization has become key to the success of mortgage lenders and brokers.

However, the type of technology that delivers value to the consumer goes beyond offering online applications and remote access. Digitization must also take the manual work out of mortgage workflows, creating the frictionless experience that consumers expect.

There are some key digitization initiatives that are particularly relevant to reducing friction. Real-time connectivity, for example, allows brokers and lenders to instantly exchange data and documents with industry partners, such as credit bureaus and insurance providers. Having rapid access to external information streamlines the decision-making process, resulting in greater customer satisfaction.

Of course, data security is also important. According to KPMG, fifty-one percent of consumers worry about sharing their information with digital providers,⁸ so brokers and lenders need to take extra care, selecting solution partners that deliver a seamless and secure platform for document transmission and storage.

Key attributes like these are essential to reducing friction, but when it comes to delivering value, brokers and lenders must look beyond the immediate environment to the extended world of the customer. Buying a home requires many steps with moving pieces.

The lenders and brokers that realize the greatest loyalty and growth will be those that can support customers through each phase of the process. That means finding ways to make the consumer experience more complete through ecosystem partnerships.



Securing the future through marketplace platforms

Thanks to the advent of APIs, mortgage lenders and brokers can now take advantage of ecosystem partnerships that provide a marketplace of products and services. It's a similar concept to Amazon's retail approach, where available bells and whistles guide the customer journey.

If a customer knows exactly what they want to buy, one-click purchasing makes it possible to finish a transaction in seconds. If a consumer isn't quite sure what they want or how to get there, Amazon provides the tools to guide the journey, including options from third-party sellers that easily fulfil or augment the buyer experience.

In a sense, consumers expect the same usability when they start the mortgage process. While some consumers will understand what is required and be prepared to move rapidly through each transaction, the majority will look for the Amazon-like tools to aid their journey, including access to the additional products they may need to successfully obtain financing and close on a home.

For the consumer, buying a home is about more than the mortgage process. It is a journey that starts when a buyer begins thinking about a home purchase and continues through submitting an offer, finding financing, satisfying conditions and post-closing transactions. Mortgage lenders and brokers who support the customer from beginning to end will instil greater satisfaction and loyalty, resulting in repeat business, referrals, and overall greater growth.

APIs provide the secure highway for mortgage brokers and lenders to expand into services and solutions that support the entire home buying journey. This platform approach allows all participants, from the consumer, to the lender and broker, as well as all the supporting technology assets around them, to seamlessly flow together, providing an improved and efficient experience.

Even more important, APIs allow third parties to easily build solutions that lenders and brokers can securely plug and play.

For example, the application process requires buyers to obtain an appraisal, secure a lawyer and take out insurance to protect the property. By incorporating third-party providers into a secure API platform, the mortgage lender now becomes an Amazon-rich marketplace, providing the full range of services that consumers need to purchase a home, thereby facilitating the complete home buying journey.

The instant scalability allows the organization to grow at their own speed and according to the needs of their customers. In short, it is providing the necessary services, in the way consumers want to use them, at exactly the moment they are needed.

Just as Amazon provides marketplace sellers security and consumer access, mortgage brokers and lenders can utilize APIs to provide the same secure highway, expanding revenue streams by facilitating third-party connections that also boost customer acquisition and retention.

In the end, this approach does more than spur immediate growth. It's a way of future-proofing the organization, allowing for expansion into new products and markets as consumer needs evolve.





For More Information
Visit finastracanada.com

References

1. Steve Huebl. "Canadians Need Guidance With Their Mortgages." Canadian Mortgage Trends, Oct. 3, 2019. Web.
2. "The State of Homebuying in Canada: 2019 CMHC Mortgage Consumer Survey." Canada Mortgage Housing Corporation, 2019. Web.
3. Ibid.
4. "Revolutionizing Banking." KPMG. Retrieved from <https://home.kpmg/ca/en/home/insights/2019/07/revolutionizing-banking.html>.
5. "The State of Homebuying in Canada: 2019 CMHC Mortgage Consumer Survey." Canada Mortgage Housing Corporation, 2019. Web.
6. Ibid.
7. Ibid.
8. Ibid.
9. Ibid.
10. "Revolutionizing Banking." KPMG. Retrieved from <https://home.kpmg/ca/en/home/insights/2019/07/revolutionizing-banking.html>.

About Filogix

Filogix has served as the hub of the Canadian mortgage industry for almost two decades, offering secure, reliable connectivity to brokers and lenders. We provide trusted mortgage lending products, that enable the effective management of the sales process from origination through underwriting. As the mortgage landscape continues to change, Filogix is prioritizing advances to support the industry into the future. We're investing in a more open infrastructure and building connectivity to create a complete mortgage marketplace, helping mortgage professionals do business with more choice, speed and reliability than ever before. Learn more at filogix.com

© 2020 Filogix. All rights reserved.

CA 3538 / 1120 EN

Finastra Canada HQ

199 Bay Street,
Suite 4400,
Toronto, ON M5L 1E2
Canada
T: +1 800 732 5638

