2019
Borrower Insights Survey
Capitalizing on technology to expedite communication and closing efficiency
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Overview / executive summary

As Ellie Mae continues to refine and redefine the true digital mortgage throughout the entire loan lifecycle, it is imperative to have direct insights from the consumers lenders are serving and building relationships with every day.

Ellie Mae conducts its annual “Borrower Insights Survey” (BIS) to better understand the perspectives of consumers when it comes to the mortgage process, with the goal of providing better insights to improve the overall digital mortgage loan process and ultimately fund a loan. The survey of 2,000+ renters and homeowners aims to provide unique insights to supplement Ellie Mae’s already strong arsenal of data that helps redefine what the “digital mortgage experience” means to consumers, and how lenders can best build customized relationships with each unique borrower through a combination of high-tech and human touch offerings.

A major theme of this year’s survey is around the increased options for communication between borrowers and lenders, as well as preferences for frequency and type of communication among borrowers. As part of this, the survey uncovers specific preferences among the millennial homebuyer generation that can help lenders further provide beneficial and educational experiences to the current largest cohort of loan prospects. Ellie Mae is helping to breakdown what lenders need to know about the desires and preferences of today’s borrowers and prospective borrowers and applying machine learning and automation to better control costs and improve the overall mortgage process.
Methodology and key insights

To better understand current borrower and renter preferences regarding the mortgage application process, Ellie Mae conducted its third annual Borrower Insights Survey, polling 2,106 U.S. individuals 18 and older (both male and female) who have taken out a mortgage loan within the last five years or are currently renting. The survey was fielded using the Qualtrics Insight Platform, and the panel was sourced from Fulcrum by Lucid. Fielding was executed in November 2018.

With a focus on improving the true digital mortgage experience, Ellie Mae was interested in exploring how borrower communication styles have changed over recent years, as well as borrower expectations and experiences with online components of the mortgage process. Overall, findings showed that borrowers across all generations have higher expectations for digital options to be part of their loan process, but are also increasing the frequency of their communication with lenders across a variety of communication tools compared to three to five years ago. These findings indicate that the mortgage application process should remain a balanced offering of high-tech and high-touch options to meet individual borrower preferences.

Breakdown of survey participants

<table>
<thead>
<tr>
<th>Time since last home loan</th>
<th>3-5 years</th>
<th>1-2 years</th>
<th>&lt; 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>37%</td>
<td>22%</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Participant demographics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby boomers</td>
</tr>
<tr>
<td>Gen X</td>
</tr>
<tr>
<td>Millennials</td>
</tr>
</tbody>
</table>
Digital tools and the mortgage process

The mortgage industry has seen a significant shift as lenders have increasingly embraced the technology behind a digital mortgage and use of big data, as well as more automated systems and processes to produce a smoother experience for the borrower – and it shows. Compared to previous years, more lenders are now offering electronic options to aid in the mortgage process, as borrower demand for online options has increased 18% in the last two years.

According to the survey, 50% of borrowers said they chose their lender based on whether they offered an online application or portal, and 47% of respondents said access to an online portal for uploading documents electronically was a factor in their decision. Likewise, the majority of borrowers who were not offered online or electronic options from their lenders would have preferred those options.

Compared to borrowers who took out a home loan three to five years ago, a higher rate of borrowers who applied for a mortgage in the past two years prefer to use digital methods at an equal or higher rate than traditional methods during all stages of the mortgage process. Accordingly, more and more borrowers have also opted to use electronic options at a higher rate, when they are offered by their lenders.

Borrower preference for digital methods

<table>
<thead>
<tr>
<th>Time since last home loan</th>
<th>Applying for a mortgage</th>
<th>For loan options</th>
<th>To submit documents</th>
<th>To check loan status</th>
<th>To review initial disclosures</th>
<th>To review and sign final paperwork</th>
<th>To obtain final paperwork</th>
<th>To pay up front costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-5 years</td>
<td>40%</td>
<td>30%</td>
<td>50%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>0-2 years</td>
<td>50%</td>
<td>40%</td>
<td>60%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>60%</td>
<td>50%</td>
</tr>
</tbody>
</table>
When given electronic options, how often were they used?

Time since last home loan

- 3-5 years
- 1-2 years
- < 1 year

When offered electronic options, borrowers who got a mortgage within the last year, reported using online applications, portals and mobile apps the most:

- 83% used an online portal for electronically signing and notarizing documents
- 80% used an online portal for uploading documents electronically
- 78% used a mobile app
- 73% used an online application
Generational preferences for online application process

Among all borrowers, the top three reasons respondents provided for liking the online application process were: quicker time to close (66%), a simpler application process (61%), and information was more readily available (54%).

The leading response for millennials and Gen Xers was that the online application process resulted in a quicker time to close, with roughly the same distribution of responses between both groups. Baby boomers’ preferences differed from the younger generations in that they favored the online process more for its simplicity, greater flexibility, and no need to meet in-person.

What did each generation like about the online mortgage process?

- Quicker time to close
- Simpler process
- Information more available
- Greater flexibility of time/pace
- Enhanced security
- Reduced data entry
- No need to meet in person

[Bar chart showing preferences by generation]
Reasons for not using an online application

Among borrowers who were offered online applications, but opted not to use them, 47% said they prefer to work directly with a person, 41% prefer to work with physical paper, and 28% still think an online application would be too difficult. Of note, respondents who obtained a loan most recently were much less likely to cite a preference for working directly with a person (35%) as the reason for opting not to use an online application than to those who closed their loan three to five years ago (54%).

Preference to work directly with a person

<table>
<thead>
<tr>
<th>Time since last home loan</th>
<th>3-5 years</th>
<th>1-2 years</th>
<th>&lt; 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>54%</td>
<td>48%</td>
<td>35%</td>
</tr>
</tbody>
</table>
When borrowers fill out online applications, it’s common for them to sometimes completely abandon the process or to take multiple sessions to complete it. The survey found that only about half of those that have used an online mortgage application have ever finished one in one sitting.

**Borrowers who have used online applications**

- About one quarter of those that have used an online mortgage application have started an application online and not completed it online
- Almost half of those that have used an online mortgage application have required multiple sessions to complete the app
For many borrowers, too long of a process leads them to abandon their online mortgage application completely. It is essential for lenders to identify when this happens so that they can follow up promptly and provide the right level of assistance, before the borrower has a chance to possibly seek out a different lender.

Reasons for abandoning online apps

- Almost 60% of those that abandon apps do so because they feel it's taking too long (the number one reason for abandoning apps)
- One out of five who abandon the apps end up choosing a different lender
Many report needing to complete their online application over multiple sessions to gather information they didn’t realize they would need. Lenders can help borrowers more smoothly complete their application by setting expectations and providing education upfront about what types of information and documentation are needed in the application process.

**Reasons for requiring multiple sessions**

- The main reason online apps require multiple sessions to be completed is missing info
- Other top reasons include taking too long, distractions, or assistance is needed.
How are borrowers finding the lender that is right for them?

Borrowers who have taken out a home loan in the last year were more likely to have found their lenders through online searches (43%) versus all other methods, including existing bank or lender relationships (25%), advertisements (20%) or direct mail (9%). Over the last few years, there’s been a growing trend for borrowers finding their lender through online searches and advertisements and a declining trend for those finding their lender through direct mail and existing bank or lender relationships.

How are borrowers finding the lender that is right for them?

Time since last home loan
- 3-5 years
- 1-2 years
- < 1 year

Bar chart showing the percentage of borrowers finding their lender through different methods by time since last home loan.
The growth in online search as a means of finding a lender may have contributed to the increase in the number of lenders considered, since finding and engaging with lenders has become relatively easier. With the number of lending institutions considered increasing over time, 36% more borrowers considered three or more institutions in the last year, compared to three to five years ago.

**Borrowers who have considered three or more lenders**

<table>
<thead>
<tr>
<th>Time since last home loan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-5 years</td>
<td>16%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>17%</td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>21%</td>
</tr>
</tbody>
</table>
Frequency of communication tools among generations

The survey indicates that more recently, borrowers are using more methods of communication more frequently. This is especially true among younger borrowers.

We asked borrowers to evaluate how often they used different methods of communication to interact with their mortgage lenders (e.g.; fax, email, phone, chat, mobile app, in-person, direct mail, text and online portal/website). Millennials and Gen Xers indicated they used all nine forms of communication to interact with their lender more frequently than baby boomers. On average, younger generations used six of the nine at least sometimes, compared to only 4.5 methods for boomers. Similarly, younger generations used almost three of the nine frequently, while boomers used only 1.5 frequently, on average.

Average number of communication methods used to interact with lender

<table>
<thead>
<tr>
<th>Method</th>
<th>Baby boomers</th>
<th>Gen X</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least sometimes</td>
<td>7</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Frequently</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

![Bar chart showing average number of communication methods used by different generations](chart.png)
Among homeowners surveyed, communication methods used varied across generations

- Millennials and Gen Xers were more likely to often communicate with their lender via email than baby boomers
- Millennials also communicated with their lenders over the phone at a higher frequency than baby boomers

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Sometimes</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Email communication</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millennials</td>
<td>11%</td>
<td>33%</td>
<td>56%</td>
</tr>
<tr>
<td>Gen X</td>
<td>8%</td>
<td>36%</td>
<td>56%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>13%</td>
<td>52%</td>
<td>35%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Sometimes</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phone communication</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millennials</td>
<td>6%</td>
<td>37%</td>
<td>57%</td>
</tr>
<tr>
<td>Gen X</td>
<td>5%</td>
<td>43%</td>
<td>51%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>5%</td>
<td>54%</td>
<td>41%</td>
</tr>
</tbody>
</table>
• Millennials and Gen Xers were three times more likely to often communicate with their lender through online chat than baby boomers, who used the chat feature.

• Perhaps most surprisingly, Gen Xers communicated with their lenders via chat (23%) and online portal/website (33%) more frequently than either of the other age groups.
While millennials tend to make many purchases day-to-day with a simple click of a button, it was interesting to see that 79% of this generation of borrowers reported frequently meeting in person with their lenders, compared to 61% of baby boomers. This indicates that younger generations of homebuyers need more frequent communication and interaction with their lenders to support them across all channels through what is likely one of the most significant financial milestones of their lives: obtaining a mortgage.

<table>
<thead>
<tr>
<th>In-person communication</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Baby boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21%</td>
<td>22%</td>
<td>39%</td>
</tr>
<tr>
<td>Never</td>
<td>43%</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>36%</td>
<td>32%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Never | Sometimes | Often
On average, lenders reached out to millennial borrowers 11+ times in the last year -- more than twice as often as they did baby boomers. Surprisingly, even with this amount of contact, millennial borrower respondents were approximately six times more likely to feel their lender didn’t reach out enough, in comparison to baby boomers.

**Level of lender outreach during loan process**

![Bar chart showing the level of lender outreach for different age groups.]

- **Contacted 1-5 times**
  - Baby boomers: 50%
  - Gen X: 45%
  - Millennials: 40%
- **Contacted 6-10 times**
  - Baby boomers: 35%
  - Gen X: 30%
  - Millennials: 25%
- **Contacted 11+ times**
  - Baby boomers: 30%
  - Gen X: 25%
  - Millennials: 20%

**Lender outreach**

- **Not enough outreach**
  - Baby boomers: 12%
  - Gen X: 10%
  - Millennials: 8%
- **Ratio of not enough to too much**
  - Baby boomers: 3.0
  - Gen X: 2.5
  - Millennials: 2.0
  - Baby boomers: 1.5
  - Gen X: 1.0
  - Millennials: 0.5

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Frequency of communication and preference trends

Borrowers continue to show a strong desire for more options for interaction and communication with their lender, as frequent communication across multiple channels between lenders and borrowers has increased by approximately 20% for those who took out loans within the last year, when compared to borrowers who obtained their loan in the last three to five years, increasing from 28% to 34% respectively.

Direct communication with a lender can be especially important to younger borrowers and those who are applying for a mortgage for the first time, as they can have their questions answered and feel reassured that the loan process is on track in real-time.
Borrowers were 27% more likely to often communicate with lenders in the past year via email and 23% more often via phone than three to five years ago. Likewise, frequent communication with lenders via text messaging has significantly increased in the last two years compared to three to five years ago. These findings correlate with the understanding that providing a true digital mortgage allows for a streamlined, automated application process and improved, more frequent communication with lenders per overall demand from borrowers.
Buyers’ reasons for buying a house

While a family dynamic change, such as getting married or having kids (40%), was the top overall reason borrowers bought a house, this percentage has steadily decreased as a reason for pursuing homeownership compared to those that took out a mortgage 3-5 years ago. Those who purchased a home more recently were more likely to cite a “need for more space” as their leading response compared to those who purchased in the last three to five years.

Job change displayed the largest growth when compared to previous years, growing 22% in the last year (compared to the year prior). As the unemployment rate edged down, more Americans were potentially better positioned to be able to buy a home.
Renters’ reasons for renting

For renters, when asked what is preventing them from buying a home, younger generations have shown that their primary reasons for renting mainly depend on their financial situation. The number one reason millennials report they are currently renting is because they haven’t saved enough money (47%). Comparatively, the leading response for Gen Xers (44%) and baby boomers (47%) shows that a large proportion rents as a lifestyle choice, rather than due to financial constraints.

A significant number of renters (35%) believe they need 6-10% for a down payment on a house, and over half of all renters would purchase a home if they had enough money saved. Moreover, more than half of renters (57%) would be open to relocating to another state to afford to buy a house.

While it’s true some may not have enough money saved to purchase a home, the survey indicated that there’s opportunity for greater education for consumers around available loan type options, how much is needed for a down payment toward a home, and what kind of credit score is needed to qualify for various loan options. One-third (33%) of respondents believe they must have a good credit score, while 27% believe they must have a very good credit score to qualify for a mortgage loan.
The bottom line

While preferences for method and frequency of communication may vary by generation or individual, it’s clear that in general, consumers continue to have a strong preference for a combination of customized lender communication with online application offerings – with the majority of borrowers surveyed using an online application and portal during their most recent mortgage loan process.

As more millennials enter the housing market, it will be imperative for lenders to prioritize the use of all available technologies, digital tools and communication channels to foster strong borrower relationships and provide needed education as well as ease of doing business around each step of the loan process. With most borrowers using between one to three different methods of communication frequently with their lenders, a customized approach for the individual borrower will be paramount to ensure a successful relationship and smooth closing. Increased communication and education can also help prevent borrowers from abandoning online applications, ultimately helping lenders to capture and follow up with borrowers who need more time or assistance before they’re lost to a competitor.

By encouraging open, personalized communication with current and prospective borrowers – and embracing the technologies that empower them to deliver more customized service and communications – lenders will be well positioned to maximize on opportunities to meet and exceed borrower expectations and grow their businesses.