

## **Background**

BECU is a credit union based in the Seattle, WA area. The financial cooperative is the 4<sup>th</sup> largest credit union in the United States and is the largest community based credit union in the nation. BECU began offering home loans to its members in 1993. In 2007, the Mortgage group transitioned to a paperless mortgage platform for loan application processing and shortly thereafter began using eClosing technology to eliminate paper from the closing process.

It was about this time that mortgage loan volume at BECU began to increase substantially. The Great Recession hadn't made its full impact on the housing market yet so loan applications for both home purchases and refinances were on the rise. And, since BECU didn't make the types of risky loans other lenders offered, loan volumes didn't decrease even after the housing market collapsed and tighter credit and documentation standards in conjunction with new regulations were introduced to protect consumers. Additionally, as a result of Bank Transfer Day in 2011, BECU's membership increased significantly in a short period of time and along with that came an increase in the demand for home mortgage loans.

The Mortgage team at BECU was overwhelmed by the application volumes in 2011, 2012, and 2013. Turn times from application to close on refinance transactions extended to 180 in some months and meeting closing dates on purchase transactions became impossible. BECU members became increasingly dissatisfied with their mortgage experience and made their feelings known when BECU started sending out transactional NPS surveys on mortgage loans in September 2012. The local Realtor community was also unhappy with their experience when BECU was the lender on purchase transactions. They began to write into contracts that sellers would not accept offers if BECU provides the buyers' financing.

By the end of 2013, mortgage transactional NPS was a dismal 45.22 for the year. In December 2013, NPS was 24.24. BECU recognized changes were necessary to improve the member experience and save its reputation in the community. Up until this time, one person was responsible for all consumer and mortgage lending. Consumer lending had also experienced remarkable growth the preceding years, capturing the state's market share in home equity lending. Given the continued growth of the credit union and an increasingly complex regulatory compliance environment in the mortgage lending industry, it was decided to separate the lending divisions and hire someone to run the mortgage group. Lorraine Stewart joined BECU in January 2014 to fill the mortgage leader role.

Lorraine made the following observations of the mortgage lending business at BECU in January 2014:

### **Originations (Sales)**

- Member Consultants in the branches are allowed to meet with members and take mortgage loan applications in addition to performing their primary functions of opening new deposit accounts, handling applications for consumer loans, and providing member assistance.
- Mortgage Specialists, a newly created position, help Member Consultants take mortgage applications and provide coaching. Mortgage Advisors, another newly created position, focus 100% of their time on taking loan applications. They are deployed to BECU's two main financial centers. Both Mortgage Specialists and Mortgage Advisors report into the Retail Banking division.
- Some of BECU's Contact Center Agents are designated with a "skill set" to receive mortgage application calls. They take the loan applications over the phone then route them to the loan processing department in the Mortgage group. Contact Center Agents Report into the Member Care division.

### **Production Team (Processing, Underwriting, Funding)**

- Internet loan applications are fielded by a small unit, the Preview team, in the Mortgage group. The team performs a basic preview of the applications then moves them into the processing department.
- The Mortgage group has one Operations Manager who oversees the production units – the Preview team, Processing team, Underwriting team, and Funding team. There are Four Processing Supervisors and one Funding supervisor. The other teams have no supervisors and report directly to the Operations Manager.
- There is one System Administrator who works with the loan origination system vendor to maintain the platform, one Compliance Administrator, and one newly hired Business Support Specialist providing operational support for the Mortgage group. These three positions report to the Operations Manager.

### **Technology**

- The LOS (loan origination system) used for paperless processing and eClosing is a SaaS offering, hosted by the vendor. This particular LOS is widely used in the credit union industry. BECU helped create the platform when the vendor was a startup many years ago. The platform originally did not support paperless processing, but evolved to do so by 2007. BECU chose to customize the system, which makes their version different than any other lender using the platform.
- Although paperless, BECU's mortgage group is not fully "digital." This means paper must be ingested into the lending platform via FAX or scan. Documents must be labeled and inserted into the electronic loan file. Members FAX or scan paperwork from home, go into a branch and have a Member Consultant do it, or email items to the BECU team members assigned to their loans. In all three cases, someone at BECU is responsible for labeling and inserting the documents into the electronic loan file once the items have been received into the system.
- Manual workarounds have been created to mitigate deficiencies with the LOS and are sometimes documented and housed in a central repository.
- Members receive automated emails with loan milestones such as the appraisal being received, credit approval issued, etc. from the LOS via integration with a communications platform called Intuvo.

### **Processes/Procedures**

- Policies and procedures are housed online in three different locations and managed by different groups.
- Processes vary between teams, both in Sales and in Processing. Some teams have identified and implemented best practices within their teams, but not across teams.
- The loan originators are the single point of contact for members. Loan Processors do not have member contact. Loan originators provide status updates or respond to member questions via email and/or over the phone.

### **Training/Employee Development**

- New employees attend a two-day NEO (New Employee Orientation) at headquarters to learn about BECU and the credit union movement.
- Employees take required regulatory compliance training online throughout the year.
- Professional development classes are available to all credit union employees.
- System training is provided by managers and subject matter experts.

### **Compensation**

- Loan originators receive a salary and participate in the credit union's annual incentive plan. They also have Retail Banking or Member Care division goals and personal goals tied to an individual incentive plan. Those goals are not always in alignment with the Mortgage group's goals.
- Employees in the Mortgage group receive a salary and participate in the credit union's annual incentive plan. They have Mortgage division goals and personal goals tied to an individual incentive plan.
- Credit union relationship NPS is an incentive goal for everyone involved in the mortgage process. Mortgage transactional NPS is monitored and incentive goals are set for the people who report in to the Mortgage group.

### **Member Feedback**

- With exception to members who have recently received an NPS survey request for another product or service, all members who close a mortgage loan with BECU receive a survey shortly after closing.
- NPS is monitored for performance reporting. Follow up with members to address specific complaints in survey responses is inconsistent. Immediate attention is given to member complaints filed with senior and executive management or through social media. This happens several times a month.
- The Operations Manager handles member complaints unless a member specifically asks that someone from the executive team respond.
- Members tell us two things repeatedly in their NPS survey responses:
  - *"Stop losing my stuff!"* Members feel like they are being asked for the same documents repeatedly by the same person or by multiple people throughout the process.
  - *"Communicate with me!"* Calls aren't returned. Questions aren't answered clearly or at all. Members don't know what to expect next in the loan process or what they need to do to keep the loan moving forward.

### **Question**

Imagine you are in Lorraine Stewart's position. You are faced with an NPS challenge receiving a lot of attention from the executive management team, your peers in Retail Banking and Member Care, and even the board of directors. What actions would you take to turn around the member experience and improve NPS results?