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## **NEW STUDY SHOWS CHALLENGES FOR MORTGAGE INDUSTRY IN FACE OF REFORMS, RATE INCREASES**

FOR IMMEDIATE RELEASE -- October 22, 2003 -- Ann Arbor, Mich. -- A new survey of recent mortgage purchasers by the international consulting firm CFI Group shows that mortgage lending ranks relatively low on customer satisfaction among financial services organizations. The results indicate that while proposed reforms to the lending process may help improve customers' satisfaction, lenders will need to maintain superior levels of customer service to compete effectively as interest rates rise and the white-hot mortgage market continues to cool.

In the CFI study, U.S. homeowners gave the mortgage lending process a satisfaction score of 69 on a 0-100 scale. This score is five points lower than the average score of 74 for consumer financial services as measured in the American Customer Satisfaction Index (ACSI), a broad index of consumer satisfaction with the U.S. economy produced at the University of Michigan Business School. At its current ranking, mortgage banking trails all other financial services measured in the ACSI except for health insurance, which also scores a 69. By contrast, retail banking scores 74, and life insurance leads the sector at 79.

Responses to the survey indicate that this low score is due in part to the often-confusing steps required to obtain a first mortgage or refinance a home. Mortgage purchasers were in broad agreement with the idea that the mortgage lending process is too complex. "Our analysis suggests consumers may be very receptive to the idea of a 'Guaranteed Mortgage Package', which is a central component of Housing and Urban Development's proposed reforms to RESPA (Real Estate Settlement and Procedures Act)." according to Rodger Park, Senior Consultant at CFI Group. In this GMP process, lenders would guarantee, at the time of application, exactly what borrowers would pay to obtain their mortgage, including all

settlement costs such as appraisal, certifications and title insurance. Current federal rules make it difficult for mortgage lenders to offer “packaged” loans.

“We believe that reforms like those being proposed by HUD Secretary Mel Martinez might help to boost customer satisfaction with the mortgage process” said Park. “But even if the proposed reforms are enacted, the success or failure of individual lenders in satisfying their customers will be determined by key factors both specific to their organization and well within their control. Better performance on these factors will mean higher levels of customer satisfaction, which in turn mean higher origination volumes and the potential for pricing power.”

According to CFI Group's analysis, the three factors with the most leverage on customer satisfaction were: the overall time it takes to process a mortgage; their lender loan officer's or representative's role; and the convenience of processing and closing the loan. Mortgage lenders will increasingly need to differentiate themselves in these areas to meet with success in the marketplace as the era of 'how low can you go' interest rates and huge refinancing volumes draws to a close.

The findings are based on a nationwide sample of recent mortgage purchasers who were interviewed by phone in late July. Details of the study are reported in the October 2003 issue of *Mortgage Banking* magazine, the trade journal of the Mortgage Banking Association of America.

### **About CFI Group**

CFI Group is an international management consulting firm that helps its corporate and government clients improve customer satisfaction. It utilizes a computerized, statistically-based methodology to measure satisfaction, providing the basis for strategic recommendations that predicatively improve organizational financial performance. CFI

Group's patented system serves as the analytical foundation for the American Customer Satisfaction Index (ACSI), a powerful economic indicator that directly measures consumer satisfaction with nearly 200 of the nation's leading product and service brands. CFI Group has 13 offices worldwide and is headquartered in Ann Arbor, Mich. For more information, please contact Griffin Burgh, Director of North American Sales at 800-930-0933, or visit [www.CFIGroup.com](http://www.CFIGroup.com).

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