MILLENNIALS ARE TILTING THE BANKING LANDSCAPE, BUT MORTGAGES COULD LEVEL THE PLAYING FIELD

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"THEY WILL NEVER FORGET YOU 'TIL SOMEBODY NEW COMES ALONG."
—THE EAGLES

This just happens to be one of my favorite songs from (dating myself here) 1976. Who knew the Eagles could be so prescient in describing the relatively fickle nature of millennials as they scan the landscape for financial services?

It's no surprise millennials present a unique set of challenges for bankers in general and community bankers in particular. In survey after survey, consumers between the ages of 23 and 38 say they are more interested in mobile engagement and new forms of payment than in traditional banking products, and they are more likely to switch to a new bank or a non-bank FinTech in search of a superior digital experience. Given the sheer size and future economic might of this cohort (millennials will eventually inherit $30 trillion), millennial banking preferences are expected to drive the growth of larger banks able to make significant investments in technology and spend heavily marketing this technology back to them.

There is, however, one set of banking products — mortgages — where it may be possible for smaller, nimble banks to level the playing field with larger lenders and attract and better serve millennials. That's because when it comes to getting a mortgage, millennials behave out of character: As a group, they need more help navigating the mortgage process.

LEAVE ME ALONE, UNTIL I NEED HELP

First, let's look at how millennials want to experience the mortgage process. It turns out the generation that pioneered the digital, self-service concept is less likely than its older counterparts to want to do everything online. Recent surveys by Fannie Mae and Ellie Mae both found millennials are comfortable doing certain steps of the mortgage process online: upfront research, filling out the applications and submitting documents. But, when it comes to other key points in the process, such as selecting products, and reviewing or signing documents, millennials want personal interaction with loan officers or other mortgage professionals. All of which suggests that to engage with today's homebuyers, banks need to offer a hybrid digital/person-to-person experience.

However, many community banks are struggling to justify investing in new front-end mortgage solutions given the high cost and low margins associated with this product. Wouldn't these funds be better spent on technology to defend core consumer banking operations? A growing number of banks are turning to outsourced mortgage fulfillment to level the digital playing field. Selecting a fulfillment partner whose services include proprietary mortgage tech, like Promontory MortgagePath, levels the playing field with larger lenders and FinTechs for a fraction of the cost. Banks gain a robust mobile and web platform enabling borrowers to research various mortgage options, use calculators to get a sense of their buying power, take information and applications online, deliver and eSign disclosures. At any time, however, borrowers can interact with the banks' loan officers, who can answer questions, give guidance or act as co-pilots, completing part or all of the process.

DO WHAT COMMUNITY BANKS DO BEST: SERVE CUSTOMERS

Historically, community bankers have competed by offering high-touch service: taking the time to understand individual customers' needs and finding ways to solve their problems. And, millennials have more than their share of issues — there are real reasons why millennials are more tentative when it comes to mortgage decisions: Most haven't had a loan before; they grew up during the mortgage crisis; they are concerned about taking on so much risk; and they've faced strong economic headwinds.How strong are these headwinds? A new study by Deloitte looks at why millennials are delaying major life decisions — like marriage, family and homeownership — and concludes:

> *[T]here's a good reason why millennials are reaching these milestones later in life: they are significantly financially worse off than previous similar-aged cohorts. Since 1996, the net worth of consumers under the age of 35 has fallen by 34 percent. Homeownership for the cohort declined by more than 4 percent between 2007 and 2017. And the rise in the education level of millennials hasn't come cheap: Between 2004 and 2017, student debt has increased for consumers under 30 by 160 percent. Typecasting the millennial as simply being "different" overlooks a much bigger factor — that of their economic constraints.*

As group, millennials stand to benefit from a generational shift in assets, but for many, that hasn't happened yet. What they need now is help in understanding the mortgage process. They also need access to loan officers who'll take the time to match their profiles to innovative product offerings, including FHA and non-QM options loans, and solve for down payment, debt-to-income and gig economy issues. This sounds like a job — and an opportunity — for community bankers.

Think tech-driven outsourced mortgage fulfillment might be the right option for you? Learn more about our comprehensive solution here or send us an email at hello@mortgagepath.com.