TransUnion | senso

Increased Retention Rate With Predictive Mortgage Scoring

CUSTOMER CHALLENGE

A top North American bank wanted to decrease its mid-term mortgage attrition rate. It needed help identifying accounts early enough to prevent mortgages from transferring out to other financial institutions — and they wanted to compete beyond just rates.

Mid-term mortgage attrition can occur for many reasons, including life-event changes (birth of a child, divorce, retirement, job loss or change requiring a relocation, etc.) that necessitate a property sale or refinancing. Whatever the situation, the mortgage was not at its scheduled term-end when it attrited.

The bank was looking to connect to its in-market customers sooner and provide more value throughout the entire homebuying journey versus responding after they'd already applied for a mortgage or preapproval elsewhere.

INDUSTRY STATE CONTRIBUTING TO THE CUSTOMER CHALLENGE

→ Mid-term attrition is a significant problem within the banking industry; some banks are losing up to $10B annually in mortgage volume[1].

→ Often, bank customers looking to buy a new home will be referred to a competing mortgage lender by their realtor or someone else in their network, and have already completed vital steps in their homebuying journey, such as shopping for mortgage rates and the preapproval process. Banks may respond to these reactive triggers, but by this time, the customer has likely found a new lender of choice and the mortgage sale opportunity is lost.

→ In certain economic situations, breaking a mortgage term and paying the penalty can save the customer money if they're able to obtain a lower rate. In this situation, the cost of borrowing on the new rate (plus the penalty and any fees incurred) must be lower than the cost of borrowing on the current mortgage.

→ Enduring a poor customer experience often overshadows possible penalties and fees. Customers who've had a bad experience may sever their relationships with a lender regardless of the cost of breaking the mortgage early. In these situations, the lender may not even be aware of the poor experience and is caught by surprise.

SOLUTION

Senso, in partnership with TransUnion, introduced the bank to the Mortgage Retention Score which identified those customers who were at risk of attrition in the next six months.

PROACTIVE	REACTIVE			
Predictive Notifications	Browsing Behaviour	Real Estate Listings	Credit Inquiry Triggers	Discharge Statement Request
Higher Likelihood to Retain	Decreased Ability to Retain			Lower Likelihood to Retain

[1]Based on Senso analysis

MORTGAGE RETENTION SCORE

→ Based on TransUnion's Canada-wide credit data — analyzed by Senso's special purpose-built machine learning platform

→ Estimates customer engagement and ascertains attrition risk

→ Refreshed monthly

→ Models are trained on market-wide, consumer-level data, enabling richer predictive insights across portfolio

→ AI platform allows for continuous adaptation through automated data processing, model building and workflow orchestration

→ Self-adaptive AI technology mitigates performance degradation in production models and provides continuous learning

→ Treatment recommendations are data-driven based on consumer behaviour and feedback loops, enabling dynamic treatment plans

USING DATA TO DETERMINE AT-RISK CUSTOMERS

Built on Senso's AI platform, the Mortgage Retention Score helped the bank pinpoint accounts and customers at risk of attrition and those seeking financing for a home purchase. It provided its Mortgage Retention team with a 5-point customer rating from Very High toVery Low, enabling them to focus on those customers more likely to break in the next six months.

ADDRESSING CAPACITY CONSTRAINTS

Additionally, by having the Mortgage Retention Score, the bank was able to effectively identify in-market customers without having to sift through false positives and waste precious branch and call-centre resources. Prior to having access to the Mortgage Retention Score, the bank didn't have a way to determine which customers they should prioritize, so outreach effectiveness was lower compared to performance with the Mortgage Retention Score.

RESULTS

→ **Increased retention.** As a result of using the Mortgage Retention Score, the bank was 5.1x as effective at retaining customers compared to previous retention program increases — without using additional call center resources.

→ **Accounts with higher balances.** In this case, Mortgage Retention Score identified accounts with an average balance 23% greater than reactive triggers.

→ **Improved runway of execution.** By enabling a proactive strategy, banks have a greater runway for execution. Earlier identification synergizes well with existing, action-based trigger programs.

→ **Increase in net interest income (NII).** The bank experienced a 12x increase in net interest income vs. existing mortgage retention programs.

CONCLUSION

The Mortgage Retention Score — produced in partnership by Senso and TransUnion — allowed the bank to immediately service and secure its most vulnerable accounts, leading to realized balance and increased mid-term mortgage retention. By connecting with homebuyers earlier in the process, the bank was able to provide improved customer experiences without engaging additional call center resources.

ABOUT SENSO

Senso is transforming the banking experience from reactive to proactive. Built with the borrower in mind, Senso is a Toronto-based intelligence and engagement platform designed to help mortgage lenders build long-lasting relationships and increase interest income by proactively engaging borrowers leading up to their next home purchase or refinance transaction.

With $1.29T in monitored mortgage balance to date, Senso enables banks to proactively provide retail clients with highly relevant insights about their home finance journey six months before their next home purchase or refinancing. To learn more, visit senso.ai

ABOUT TRANSUNION

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing an actionable picture of each person so they can be reliably represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

A leading presence in more than 30 countries across 5 continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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