

Crunching the numbers behind TMP The Mortgage People's affordability assessments - and what they mean for the Shared Ownership sector.

DATA DIVE: 'ROBO ADVICE'



Proposition

Some within the industry have recently declared that the age of automation in affordability assessments is upon us, and that the technology – is robust enough to potentially remove the need for mortgage advisers in the process.

Method

To investigate the proposition, we analysed a sample of completed purchase transactions from our system. These would have started out as simple data initially submitted by our customers, and represent the data that customers would typically enter into an online affordability assessment (namely, those using the Homes England sustainability calculator).

We compared this dataset of raw, initially-submitted information with the information *after* the customer had had a conversation with us and we'd been able to ask questions, offer suggestions and provide clarity.

Comparative data

Match	21
Lower	34
Higher	45
False Negative	26
DTI Too low	13
Potential Declines	39

Results analysis

- In just 21% of the applications, the information the customer gave us matched the outcome that we secured for them.
- In other words, 79% of customer applications submitted through the online assessment are potentially inaccurate.
- The share level in 34% of cases would have led the customer to expect to be offered a lower share than they could actually afford.
- The share in 45% of cases would have led the customer to expect to be offered a higher share than they could actually afford.
- Furthermore, 26% would result in false negatives where the customer would have been told they were unaffordable - when in fact that wasn't the case.
- When combined with 'DTI too low' returns, some 39% of applicants would be automatically declined.

Commentary and conclusion

In Shared Ownership (as in many sectors), there is currently a lot of discussion about improving the customer journey. And at TMP The Mortgage People, we feel strongly that human innovation should not be overlooked in this process.

We are living in a world where companies, processes and industries must constantly innovate and evolve. But while innovation is necessary and should be welcomed, we should not do so at any cost – particularly, as demonstrated here, the cost would be inaccurate results in 79% of cases, with 39% of applications dismissed automatically.

Putting people first

During a standard affordability assessment conversation, our advisors will carry out countless mental adjustments based on the nuances of what the customer is saying. They'll question the responses, dig deeper where necessary, and offer thoughts, suggestions and solutions based on their knowledge and experience. Can this be done by even the smartest AI-driven form at the moment? No. Will it be possible one day? Possibly. But not yet.

As an industry, we have a responsibility to the 26% of false negatives who would be dismissed out of hand by the automated process in our experiment. These customers tend to be those without large deposits or salaries who would find it impossible to get a mortgage on the open market, and they're precisely the kind of people that Shared Ownership is here for. Getting them on the ladder takes persistence and resourcefulness and a deep, human understanding of their situation and how the industry works.

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It now takes hours, not days, to give a customer an outcome. Is that not quick enough?

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Managing expectations

Similarly, providing the customer with an accurate, affordable share figure at the outset is crucial. In the automated process for example, 45% of people were quoted a figure that was higher than they could really afford – and experience tells us that it's very likely that they would turn into lost customers.

TMP The Mortgage People's Kelly McCabe adds: “The affordability assessment process takes time. We, as an industry – and certainly as a company – have got that time right down in recent years, and today it's a slick, relatively quick process that can take literally hours, rather than weeks.

“But we're approaching the point where we simply can't take any more time out of the process without it having a negative impact on the customer. It's perhaps a trite analogy, but I'd love it if I could bake a cake quicker than the time it takes today, but there's nothing more I can do about it and I'll just have to come to terms with that.

“That's not to say that I'm not going to stop looking for that magical, super-fast oven – and neither should we as an industry stop looking for the sublime, nuanced affordability assessment tool. But while it's being created, let's consider the marginal gains that could improve the customer journey in other areas. Or let's focus on managing expectations and demonstrating the value of our human interaction. Because more often than not, customer journey comes down to care, expertise and *service*.”

What's the cost?

11,850

Incorrect applications

In our automated process, the margin of error was a massive 79%. In a market with 15,000 Shared Ownership sales per year (and growing), that accounts for a huge number of disappointed or disaffected customers.