

A mortgage warning for JP Morgan Chase

CFPB Data Analytics Update



Recently, the Consumer Financial Protection Bureau (CFPB) released its [Summer 2013 Supervisory Highlights](#), which provides details on its review of mortgage servicing at both banks and non-banking entities over the past two years. In particular, the CFPB has focused on:

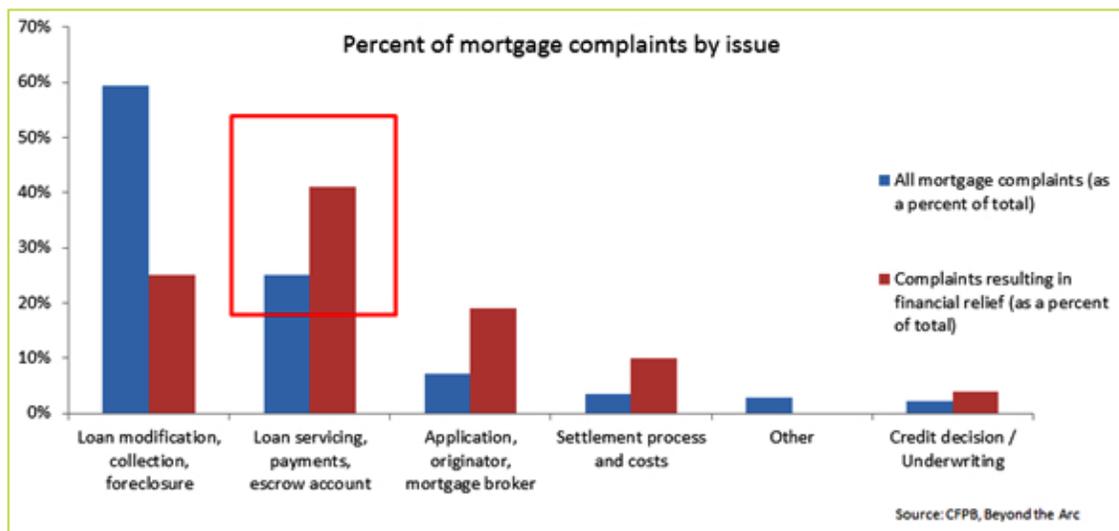
- Mortgage servicing transfers
- Payment processing
- Loss mitigation

What the data tells us about mortgage complaints

Accounting for over 70,000 complaints in the CFPB database as of August 12, 2013, mortgage complaints represent over half of the total complaints in the database, higher than any other product area. We analyzed this data to see if there were any lessons for mortgage lenders, and here's what we found:

Biggest pain points: Loan servicing and payments

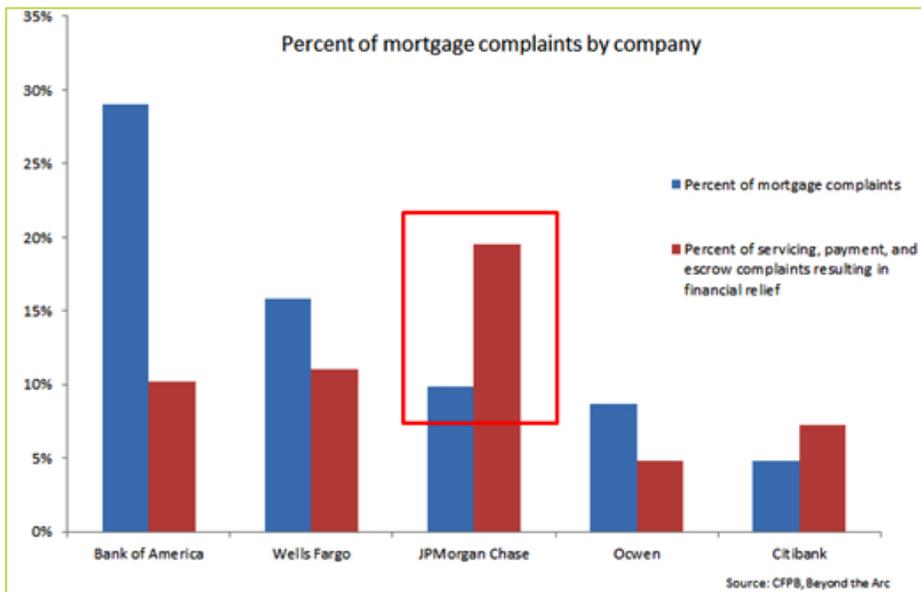
Diving into the data, we see that the majority of all mortgage complaints were about “loan modification, collection, and foreclosure” (the blue bars in the graph below). However, the CFPB is often most interested in cases where banks admitted fault and owe customers financial restitution. If we look at the cases that resulted in monetary relief to customers (the red bars), we see that “loan servicing, payments, escrow account” were the most prevalent types of complaints. This finding aligns with the CFPB’s focus on servicing and payments in their Summer Highlights report.





Most complaints resulting in monetary relief: JP Morgan Chase

Next, we examined which mortgage providers received the most customer complaints. Overall, we can see from the raw data that Bank of America has the most complaints, followed by Wells Fargo and JP Morgan Chase (the blue bars in the graph below). However, if we focus on the cases the CFPB is interested in, namely complaints about “loan servicing, payment, and escrow account” that resulted in monetary relief to customers (the red bars), we see that JP Morgan Chase accounts for a disproportionate number of cases. While these findings have not been normalized, based on the number of loans outstanding for example, we think they are still directionally correct.



If JP Morgan Chase isn't already analyzing the CFPB complaint database, they should be. Our analysis indicates the bank may be at risk for a regulatory investigation into their mortgage practices. The CFPB has explicitly focused on servicing and payment problems, and JP Morgan Chase has the most complaints about those issues, specifically cases in which the bank gave customers monetary relief. Financial institutions like JP Morgan Chase can use this analysis to identify the root cause of these complaints and address them to avoid the risk of steep regulatory fines and attrition.

In addition to mortgage servicing, many financial companies can benefit from analysis of the CFPB complaint database. With consumer complaints about 671 different companies, the CFPB database now includes feedback about:

- Credit cards
- Bank accounts and services
- Credit reporting
- Consumer loans
- Student loans
- Money transfers

By leveraging insights from the CFPB database and other publicly available data sources such as social media, financial institutions can turn potential risk into competitive edge. With a clearer understanding about customer pain points, and the ability to track emerging issues for quick resolution, businesses can take action to improve customer experience and strengthen relationships to build loyalty.

Let's Talk

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