The Human side of credit

We did something good today. Our tea lady is buying her first home and we are financing it.

The application had to be treated with special attention as we do not normally dabble in the price range that she is purchasing for. There were also other considerations which would not normally form part of a home loan application process. Since we all know her circumstances in fair detail there was a personal motivation for each of us involved in the application process. She is literally moving from flooded informal housing to a real brick and mortar house with running water and electricity in a very nice neighborhood.

This kind of assessment can be tricky as we cannot treat an employee any different in terms of credit assessment. Personal feelings and attitude do not make for very good credit assessment tools. Knowing and understanding personal circumstance does.

In the end we each contributed our own particular skills and knowledge and we managed to structure the finance to suit her needs and balance our risk.

It reminds me of our general approach to applications and our attitude to prospective clients. It prompts me to question whether we really put all the necessary care and human perspective into a credit process.

Allow me to create some perspective. Our company has one of the best track records of performing loans in the industry, which really means that our clients are the least likely to renege on their home loan repayments.

So we must be doing something right.

My opinion is that, in general, we treat our clients in a more personal fashion than other institutions and have a more individualized approach to home loan applications. The general industry trend is to use sophisticated and costly computer equipment and software packages to deal with the bulk of applications that go into a credit system. This is necessary due to the volumes normally experienced.

I remember a time when we were considering investing in such a resource but decided against it, which I believe was the right decision. Whilst we do make use of a certain amount of computer generated information provided by external credit bureau, our process of in house assessment makes use of credit analysts who perform the bulk of the work.

This is possible because we believe that you need human interaction to make the right credit decision. Our consultants also have a clear understanding of our credit parameters. This largely eliminates guesswork and inhibits applications that will not qualify in terms of our policy from jamming up the system.

In addition it enables our consultants to provide more accurate information up front and manage the expectation of clients and Estate Agents.

It does not end there, though. We understand that each applicant is unique with their own particular circumstances, which we need to understand in order to know whether they are likely to hold to the credit agreement. We interview our applicants thoroughly in order to provide a clear picture of their personal circumstances to the credit analysts who assess the application. It is one thing to see income and expenses; but quite another to understand standard of living, expectancies, preferences and problems which may influence their ability and willingness to repay the loan.

In the case of our tea lady we knew these things by personal association and did not have to ask too many questions but it strikes me that, in the case of our larger client base and applicants, we probably ask more questions than anyone else. This is not because we are nitpicking. It is because we know that understanding our client leads to better credit decisions and an improvement in company performance and client satisfaction.

We are passionate about home loans because it is what makes us tick. We become frustrated when we cannot get a loan approval and we do not back off until we understand the real reason for a loan being declined – and we communicate this to our applicants. We tend to be successful at sales though as our approval rate averages on 79% of applications submitted. This obviously results in client satisfaction.

Our credit system allows us to talk credit analysts through tricky or complicated applications; and credit analysts are wily folk, they can ask the strangest questions! Things that we may think are irrelevant may be important to them. This is probably the biggest reason for our consultants asking so many questions – we don’t want to be caught out by the credit Team!

But seriously; supposing you were to apply for a home loan – would you rather be asked more questions up front and during the process, or is it better to be asked for the minimum amount of information and hope and pray for a good result? I am guessing that you would prefer the former.

All of this interviewing and questioning tends to us getting to know our clients a little bit better than would be the industry norm. There is a natural tendency for us to develop certain emotive feelings about our clients and applications. Not quite the Barry White and Red Wine type, but leaning in that direction.

We are also a little different in our funding approach. While we provide our clients with very competitive pricing we also base their interest rates on the market rate of money, not the Repo rate. This is often used by competitors to dissuade clients from taking up finance with us but, the truth is, it is undisputedly to the benefit of the client in term of pricing. It is also a more stable approach in that it allows our clients to be priced closer to the open market rate of funding and is not overly corrective.

We want all of our clients to understand this approach and the benefits thereof so we enter into even more communication to ensure that we are all on the same page and agree on the features and benefits of our pricing, not to mention the flexibility of our product. We have an assortment of unique product benefits that remain unchallenged in the market and must be understood by our clients to be used to their full benefit.

Yes, we do talk a lot to our applicants and our clients. We prefer to because it seems that they like it and that it is to our mutual benefit.

This leads me to the conclusion that we did not just do one good thing for a client today (our tea lady), but do many good things for many clients every day.

Gustav Zwiegelaar is the Sales Manager at SA Home Loans in the Western Cape.