



MASTERING MORTGAGE GROWTH: WHY CONVERSION, NOT DEMAND, IS THE DEFINING ADVANTAGE

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The U.S. mortgage market is experiencing renewed momentum. Following a prolonged contraction driven by elevated interest rates, total single-family mortgage originations are projected to reach approximately \$2.2 trillion, according to the Mortgage Bankers Association¹. At a headline level, this suggests a stabilizing—and potentially expanding—market.

Yet for many community banks and credit unions, growth remains inconsistent.

The underlying issue isn't demand. It's conversion.

Across the industry, a widening performance gap has emerged between institutions that effectively convert borrower intent into funded loans and those that do not. Increasingly, market leaders are not generating more opportunities — they are capturing a greater share of the opportunities already within their reach.

This shift reflects a broader structural reality: in today's mortgage environment, **conversion efficiency** has become the primary driver of growth.

FROM OPERATIONAL METRIC TO STRATEGIC IMPERATIVE

At the center of this transformation is a metric that has historically received limited executive attention: **Inquiry Conversion Rate**, defined as the percentage of borrower inquiries that ultimately result in funded loans.

Traditionally viewed as a downstream operational KPI, conversion rate is more accurately understood as a measure of institutional alignment. It reflects how effectively a lender integrates digital engagement, lead management, product access, underwriting, and fulfillment at the precise moment a borrower expresses intent.

That moment is increasingly compressed.

Research from McKinsey & Company indicates that across financial services, consumer expectations for responsiveness have shifted toward near-immediacy, with delays materially increasing abandonment rates². In mortgage lending—where comparison shopping is frictionless — speed and continuity are critical determinants of borrower retention.

THE RETENTION GAP

The most significant competitive vulnerability facing community lenders is not disintermediation at closing, but attrition at the point of inquiry.

Data from the Urban Institute shows that Independent Mortgage Banks (IMBs) now originate approximately 84% of single-family mortgage loans, including roughly 90% of FHA originations and 95% of VA loans³. Their dominance is not primarily a function of brand strength, but of operational design.

STRUCTURAL DRIVERS OF COMPETITIVE ADVANTAGE

The persistence of the Retention Gap can be traced to structural differences in operating models.

Independent Mortgage Banks and large national lenders benefit from:

- Unified digital platforms integrating point-of-sale, underwriting, and fulfillment
- Broad product portfolios (loan program options) without internal fragmentation
- Centralized processing and compliance infrastructures
- Borrower journeys designed for speed, transparency, and continuity

These capabilities enable consistent conversion of borrower intent into funded loans.

Community lenders, meanwhile, often operate within constraints that include manual lead routing (response times measured in hours or days), limited digital intake, narrower product sets, and staffing models that lack specialization. Compliance and operational burdens further compound these challenges.

Individually, these constraints are manageable. Collectively, they introduce friction across the mortgage lifecycle, reducing conversion probability at each stage. workflows that introduce delays and inconsistencies at critical decision points.

This dynamic creates what can be described as the Retention Gap.

Borrowers—often existing customers—enter the process with a predisposition toward their financial institution. They inquire about rates, explore options, or begin an application all within minutes. At that moment, the institution has effectively secured borrower intent.

However, when follow-up is delayed or the experience introduces friction—unclear next

steps, limited product access, or disjointed communication—borrowers rarely signal dissatisfaction. Instead, they continue their search elsewhere.

Importantly, the loss is not limited to the mortgage transaction.

According to McKinsey & Company, friction within a single financial product journey significantly increases the likelihood of broader relationship attrition². A lost mortgage can therefore precipitate the loss of deposits, credit relationships, and long-term household value.

THE DIGITAL EXPECTATION GAP

Compounding these structural challenges is a rapid evolution in borrower expectations.

The National Association of Realtors reports that the median age of first-time homebuyers has risen to the late 30s to the age of 40—an increasingly digital-native demographic. These borrowers expect immediacy, transparency, and intuitive digital experiences comparable to those offered in other sectors of financial services.

At the same time, investment trends reinforce this shift. Fortune Business Insights projects that the digital mortgage platform market will reach approximately \$9.5 billion by 2026, reflecting sustained double-digit growth.

This is not merely a technology cycle—it is a behavioral reset.

Borrowers now expect real-time access to pricing, streamlined application processes, and continuous visibility into loan status. When these expectations are not met, they do not adjust—they migrate.

This widening divide between borrower expectations and institutional capabilities defines the Digital Expectation Gap.

WHY INCREMENTALISM FALLS SHORT

Many institutions have responded with incremental improvements—deploying CRM systems, redesigning websites, or expanding product offerings.

While directionally beneficial, these efforts rarely address the core issue.

Mortgage conversion is not determined by a single system or touchpoint. It is the outcome of an interconnected process spanning inquiry, application, underwriting, and closing. Fragmentation across this lifecycle creates cumulative leakage.

Absent a coordinated, end-to-end operating model that aligns front-end engagement with back-end execution, isolated improvements produce limited gains in overall conversion performance.

Toward an Integrated Mortgage Operating Model

A small but growing number of institutions are beginning to reframe mortgage not as a standalone product line, but as an integrated growth system.

In this model, success is driven by the alignment of:

- Digital intake and borrower engagement
- Expanded program options that prioritize portfolio lending first
- Real-time lead management and responsiveness
- Integrated fulfillment and compliance
- Scalable infrastructure capable of adapting to volume fluctuations

Platforms such as NavPros reflect this shift, offering community lenders access to integrated, private-label infrastructure designed to reduce friction across the mortgage lifecycle while preserving institutional control of the customer relationship.

While approaches vary, the underlying principle is consistent: conversion improves when systems,

processes, and borrower experience are aligned end-to-end.

THE STRATEGIC IMPERATIVE

As the mortgage market stabilizes, competition is becoming more precise.

Margins remain constrained. Borrowers are more informed. Switching costs are minimal.

Under these conditions, conversion efficiency—not demand generation—will determine market share outcomes.

Community banks and credit unions retain meaningful advantages, including trusted relationships, local market presence, and established customer bases. However, without the infrastructure to fully capture borrower intent, these advantages remain underutilized.

Closing the Retention Gap and narrowing the Digital Expectation Gap are therefore not tactical initiatives—they are strategic imperatives.

CONCLUSION

The central insight for 2026 is straightforward:

Growth already exists within most institutions' customer bases and lending footprints.

The differentiator is execution.

Institutions that align their systems, processes, and borrower experience around conversion will capture disproportionate share in the next phase of the mortgage cycle. Those that do not risk continued—and often invisible—erosion of both revenue and customer relationships.

For community banking leaders looking to strengthen their mortgage strategy, NavPros provides a practical starting point.

NavPros partners with financial institutions to assess their lending footprint, identify missed opportunities,

and align strategy with current market conditions with data driven facts. Through a customized Market Opportunity Report, you gain a clear view of where competitors are capturing share, where demand exists within your customer base, and what may be limiting your conversion performance.

The result is actionable insight you can use to plan, prioritize, and scale your mortgage business more effectively.

If you're ready to capture more of the opportunity already in front of you, connect with NavPros to start the conversation.

REFERENCES

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