



INSIDE MORTGAGE FINANCE

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What the Mortgage Market Reads

July 15, 2005

New Study Reveals that Realtor/Lender Partnerships Aren't Generating Very Much Mortgage Business

Despite the rush over the past several years by many mortgage lenders to set up strategic partnerships with real estate brokerage firms, a new *Inside Mortgage Finance*-sponsored study suggests these ventures aren't generating a lot of mortgage origination business for their owners.

The study results, based on a nationwide survey of real estate agents and broker owners conducted in May, suggest that the mortgage capture rates of most real estate firm/lender partnerships is surprisingly low. The survey was conducted by Campbell Communications using a survey instrument designed by Geosegment Systems and involved more than 1,700 respondents.

"Despite the substantial access advantages enjoyed by partnered lenders that place loan officers in real estate brokerage offices, we estimate that capture rates for most mortgage provider partnerships are only 19 to 29 percent," reported Tom Popik, a principal at Geosegment Systems.

"These capture rates are virtually the same regardless of whether the mortgage partner has special access – such as a loan officer located in the real estate office and attendance at internal company meetings," he noted.

The new report, "How Real Estate Agents View Relationships with Mortgage Providers," reveals that real estate agents appear to be losing influence – albeit slowly – on the selection of a mortgage lender by the homebuyer. In fact, the statistics generated by the survey indicate that real estate agents currently control or influence the choice of mortgage provider in less than 40 percent of home purchase transactions.

Some of the most noteworthy findings in the new study relate to real estate firm/lender partnerships and how these ventures are structured. For example, a very healthy 63 percent of responding real estate agents said their firms partnered with one or more mortgage providers. But at least 16 percent of these arrangements were classified as informal.

Of the real estate firms involved with partnerships, 71 percent reported the arrangement was exclusive with just one mortgage provider. The balance involved partnerships with two or more mortgage providers.

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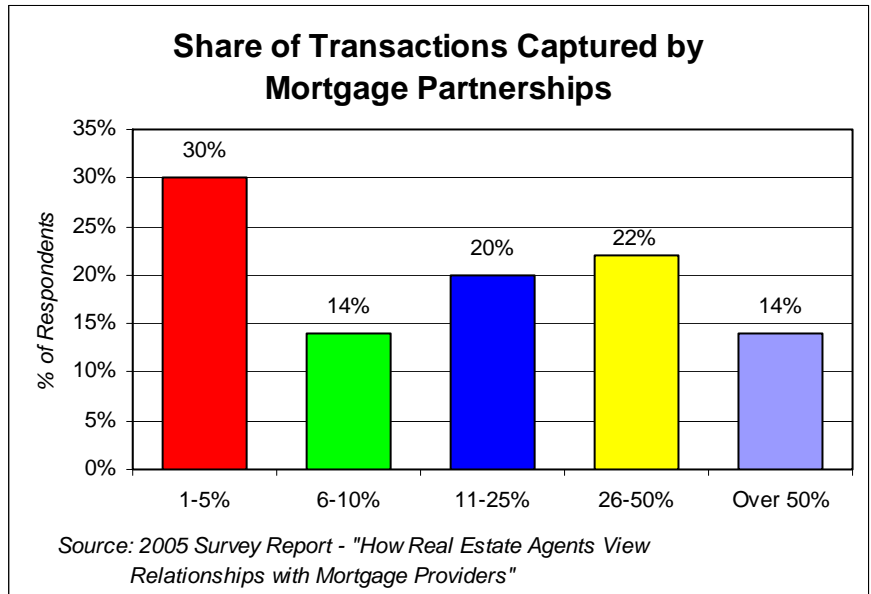
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Exclusive Partnerships Don't Guarantee Exclusive Recommendations

One of the most surprising findings of the new survey was that relatively few real estate agents with mortgage partnerships – even those with exclusive arrangements – recommend just one lender to home purchasers. At firms with exclusive partnerships, 78 percent of responding real estate agents said they recommended multiple mortgage providers to homebuyers.

When the survey delved deeper, real estate agents indicated that a mortgage partnership was not a primary consideration in recommending a mortgage lender. Rather, things like “good service” and “dependable with closing dates” were among the most important factors cited by agents when it came to recommending a mortgage provider. Importantly, “partnership with my firm” received one of the lowest ratings of the 24 factors covered in the survey.



“The survey results give lenders a roadmap for avoiding many of the pitfalls associated with dealing with real estate agents. They also include recommendations on how lenders can increase the capture rate found in partnerships,” said John Campbell with Campbell Communications.

In addition to survey questions about real estate agent influence over mortgage provider selection and partnerships between real estate brokerage firms and lenders, the new 173-page report covers a number of other issues including:

- ✓ Agent perceptions of mortgage pre-approval practices;
- ✓ Reasons for recommending direct lenders;
- ✓ Rankings of preferred mortgage providers; and
- ✓ Ratings of specific direct lenders.

[For information on how to obtain the full report – “How Real Estate Agents View Relationships with Mortgage Providers” contact John Campbell at (202) 363-2069 or john@campbellsurveys.com.] ♦



INSIDE MORTGAGE FINANCE'S

Inside B&C LENDING

An In-Depth Report On The Dynamic Subprime Mortgage Business

July 18, 2005

Realtors Recognize the Role of B&C Lenders, Survey Finds

When it comes to referrals, real estate agents appear to recognize the value of subprime lenders for their clients with credit problems.

That's one of the major conclusions of a new nationwide survey of real estate agents and broker owners sponsored by affiliated newsletter *Inside Mortgage Finance* and aimed at gauging attitudes toward mortgage providers – both direct lenders and mortgage brokers. The 2005 “Annual Real Estate Agent Survey on Mortgage Lending,” conducted by Campbell Communications in May of this year using a survey instrument designed by Geosegment Systems, involved more than 1,700 respondents.

The new 173-page report covers a number of other issues including agent perceptions of mortgage pre-approval practices, reasons for recommending direct lenders, rankings of preferred mortgage providers, and ratings of specific direct lenders.

The findings reveal that real estate agents understand, at least at a basic level, the segmenting that has occurred in the mortgage market and they are making an effort to hook borrowers up with the lenders that are most likely to close their loan. For instance, while agents revealed themselves to be big fans of local banks, they also recognized that those institutions often don't have programs that will work for credit-troubled borrowers.

So where are realty agents sending their subprime clients? Some 15.8 percent of those polled had Countrywide Home Loans at the top of their list. Wells Fargo was second, identified by 10.8 percent of respondents as a preferred choice. Significantly, retail heavyweight Ameriquest Mortgage was identified as a recommended lender by just 3.4 percent of survey respondents.

Realty agents also apparently rely heavily on mortgage brokers for their subprime clients. While just 35 percent of those responding said they would send a prime borrower to a mortgage broker, some 67 percent said that a broker would be the best option for their subprime borrowers. Similarly, 61 percent of agents said they would refer a borrower seeking a stated or no-doc product to a broker. Those findings are somewhat surprising, given that survey respondents generally gave brokers low marks for reliability when it came to preapproval letters.

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More Timely Settlement Forms

And in fact, faulty pre-approval letters are a major concern for real estate agents, taking a back seat in the survey only to HUD-1 statements not being available one day before closing on their complaint list. Other major issues identified by real estate agents include a lack of communication about the loan’s status, higher than expected closing costs, and missed closing dates.

The findings suggest that the lenders which deliver on their promises, turn loans around quickly and meet their funding dates, have a significant leg up when it comes to getting business from real estate agents. It’s a strategy that some major lenders have tried to pursue through joint ventures and partnerships – and in some cases, through the establishment of their own realty shops.

The survey results suggest that the strategy has been widely used: a very healthy 63 percent of respondents said their firms partnered with one or more mortgage providers. But at least 16 percent of these arrangements were classified as informal.

Of the real estate firms involved with partnerships, 71 percent reported the arrangement was exclusive with just one mortgage provider. The balance involved partnerships with two or more mortgage providers.

But exactly how much business those partnerships are generating is another matter. Because of their role as a first contact in the home-buying process, real estate agents are perceived as having a great deal of influence over the borrower’s choice of a lender. The survey results bear out that assumption. On average, respondents recommended a specific mortgage lender for 59 percent of their transactions, and nearly 30 percent of those polled said that they recommend a lender 90 percent of the time or more.

Significantly, real estate agents that have partnerships with mortgage shops were only slightly more likely – 62 percent compared to 54 percent – than others to recommend a lender, and 80 percent of respondents said that they usually recommend two or more lenders for a single transaction.

“Despite the substantial access advantages enjoyed by partnered lenders that place loan officers in real estate brokerage offices, we estimate that capture rates for most mortgage provider partnerships are only 19 to 29 percent,” reported Tom Popik, a principal at Geosegment Systems.

“These capture rates are virtually the same regardless of whether the mortgage partner has special access – such as a loan officer located in the real estate office and attendance at internal company meetings,” he noted. ♦

Top 5 Issues Real Estate Agents Have with Mortgage Providers		
Number of Responses		Percent of Responding Agents
HUD-1 statement not available one day before closing	844	55%
Pre-approval letters not reliable	780	51%
Mortgage provider does not communicate loan status	693	45%
Closing costs higher than expected	633	41%
Closing dates missed	631	41%

Source: 2005 Annual Real Estate Agent Survey of Mortgage Lending

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