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Correspondent-Investor Relationships Revolve Around Price, New *IMF*-Sponsored Survey Reveals

When it comes to selecting a secondary market investor, the most important factor for correspondent lenders is price. And in a sign of the current very competitive mortgage market environment, correspondents also find it is important to have a "broad range of loan programs" to offer their customers – particularly in terms of selecting investors for nonconforming products.

These are some of the major findings of a new survey conducted by Campbell Communications in April and sponsored by *Inside Mortgage Finance*. The survey report, entitled "Investor Strategies in the Correspondent Market: How Correspondent Lenders View Investor Relationships," is scheduled to be released next week.

Among the topics covered in the new survey are: why correspondents use private firm investors instead of selling prime conforming mortgages directly to Fannie Mae and Freddie Mac; the number of investors used by the typical correspondent; reasons correspondents try a new investor; and whether correspondent lenders prefer to get their warehouse lines from an investor or another third-party.

The demographics of survey respondents covered several distinct categories of correspondent lenders – including independent mortgage companies, community banks, regional banks and super-regional banks. The survey also segregated respondents by annual correspondent production, including a substantial number of lenders with over $1 billion in annual correspondent production.

"The respondent demographics allow us to segment the correspondent lending market by one of the most natural variables – size," stated Tom Popik, principal of Geosegment Systems and designer of the survey instrument.

"Based on the survey results, we now know that smaller correspondents are less price-sensitive and that large correspondents are much more price-sensitive," Popik said. "This segmentation gives investor sales forces the opportunity to modify their sales message. For smaller accounts, the data say that emphasizing the breadth of product line, combined with acceptable pricing, might be the most effective sales message, while the best message to large accounts could be excellent pricing combined with ease of loan delivery."

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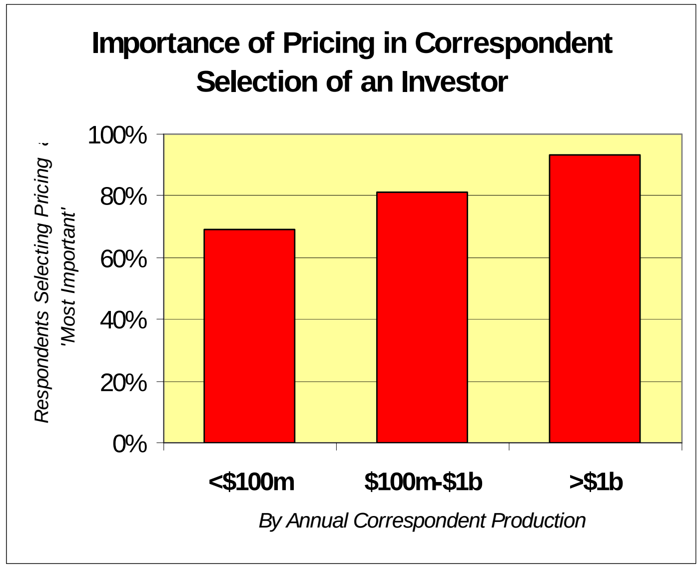
The survey also asked lenders to rate their satisfaction with specific investors on 39 factors, covering areas such as pricing adjustments, account executive service, turn times, delegating underwriting, loan delivery requirements, scenario desks, and loan buybacks.

"While price is certainly the most important factor in correspondent-investor relationships," commented John Campbell, president of Campbell Communications, "the survey results also contain insights about other services investors can use to differentiate themselves. For example, for prime conforming investors, correspondents are most satisfied in their ability to determine and lock pricing online. For Alt A/jumbo investors, correspondents are most satisfied with a 'broad range of loan programs.'"

Survey respondents were very satisfied with automated underwriting provided by prime conforming investors, rating it 7.93 out of a possible 10. In contrast, respondents were much less satisfied with automated underwriting provided by Alt A/jumbo investors, rating it only 6.27.



The survey highlighted why many correspondents prefer investors other than Fannie Mae and Freddie Mac, even for prime conforming loans – better pricing and servicing-released premiums, for the most part. However, a "best efforts" delivery option was also a significant factor for many correspondent lenders in selecting an investor over Fannie or Freddie, with 36 percent of depository institutions and 22 percent of independent mortgage companies selecting this as "also very important."

For Alt A/jumbo loans, correspondents have a wide variety of reasons for selling closed mortgages to an investor instead of simply brokering loans for a wholesale lender. While "better pricing and margins" was rated most important, "more control of underwriting" was the second most important factor.

For more information on the complete survey report, contact John Campbell at Campbell Communications, (202) 363-2069 or john@campbellsurveys.com. ♦

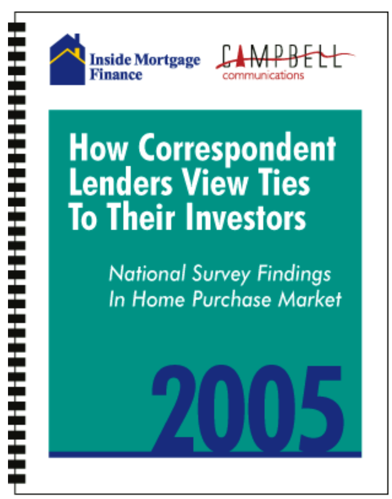
Isn’t It Time You Stopped Guessing About How to Increase Your Correspondent Lender Business?

Get data-driven answers with a new special report:

Investor Strategies in the Correspondent Market—
How Correspondent Lenders View Investor Relationships

In this report, based on the first annual survey of correspondent lenders conducted by **Campbell Communications** and sponsored by **Inside Mortgage Finance**, you’ll find:

- ✓ The most widely-used investors in a variety of product categories
- ✓ Data about the number of investors used by typical correspondent lenders
- ✓ Reasons that correspondent lenders use non-GSE investors for prime conforming loans vs. selling directly to Fannie Mae or Freddie Mac
- ✓ Reasons that correspondent lenders use investors for Alt A and jumbo loans vs. using a wholesale lender
- ✓ Reasons correspondent lenders try a new investor
- ✓ Attitudes toward using warehouse lines from investors
- ✓ The most important factors in selecting prime conforming and Alt A/Jumbo investors
- ✓ Preferred major investors for prime conforming and Alt A/Jumbo products
- ✓ And much more



This groundbreaking report will be available for delivery next week. For ordering information, email John Campbell at **john@campbellsurveys.com** or call him directly at 202- 363-2069.