



INSIDE MORTGAGE FINANCE

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What the Mortgage Market Reads

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Real-Estate Agents Find Success in Selling Homes By Recommending Multiple Lenders, Study Finds

Homebuyers use a mortgage lender recommended by their real-estate agent more than half the time. And almost three quarters of real-estate agents report they regularly recommend two or three different lenders to their home buying customers.

These are some of the major findings of a new nationwide survey of real-estate agents and their views towards mortgage lenders and the mortgage process scheduled to be released next week. The survey was sponsored by Inside Mortgage Finance Publications and conducted by Campbell Communications of Washington, DC, earlier this year.

“The results clearly show that real-estate agents have a significant influence over homebuyers in their selection of a mortgage lender. Importantly, the research also shows what lenders need to do to maximize the chances that they are among the select firms recommended to people buying a home,” said Thomas Popik, principal of Geosegment Systems of Nashua, NH, the designer of the new survey and the author of the 200-page report that analyzes the findings.

The report, “How Real-Estate Agents Work with Mortgage Providers,” is the fourth in a series of annual surveys examining the relationship between real-estate agents and mortgage lenders. More than 1,780 agents responded to this year’s survey, which asked approximately 75 questions related to the mortgage process. For most general questions, the margin of error was 3 percent or less.

Aside from the survey results showing that homebuyers follow the lender recommendations of their real-estate agent in more than half of all home purchase transactions, one of the most interesting findings was that agents seldom recommend just a single lender. In fact, the survey found that fewer than 15 percent of real-estate agents surveyed recommended just one lender to a home purchaser.

The largest group of respondents actually reported recommending three separate mortgage lenders to their home buying customers.

And while there were a number of reasons given for recommending lenders, the number one reason selected by respondents in this year’s survey was because a lender “had loan programs to fit nearly any homebuyer.” This somewhat surprising finding reflects the growing number of credit-impaired bor-

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rowers who now are looking to become homebuyers and the hurdles – particularly those related to protecting a consumer’s financial privacy – which realty agents must clear to accommodate them.

“I have established an excellent working relationship with two mortgage brokers and have had little to no problems,” reported one survey respondent in addressing how he deals with homebuyers who have credit problems. “They do not divulge personal info and they are candid when they tell me either they can buy a loan, and up to what amount – or – if there is no way it’s going to happen in the next 12-18 months. Then I put them on the back burner, the lender works with them to work out the kinks in their credit and when they are ready, we proceed with the purchase of their dream home.”

Other real-estate agents reported that it is a balancing act when it comes to getting a borrower approved and obtaining the best rate and terms. “I usually have three or so lenders which I use according to which has the best program for the specific buyer,” said another survey respondent. “I usually recommend we start with one, have them talk to the buyer and pull credit. Then I call the others to confirm their rate for a specific loan with a down-payment of such-and-such and a certain credit score. We may change if there is a significant difference in rates and costs. Service and reliability offset a small rate difference.”

In addition to examining a host of issues related to the mortgage selection and closing process, the new study also provides detailed ratings of individual mortgage lenders based on real-estate agent views on which offers the best products for specific homebuyers and situations.

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

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INSIDE MORTGAGE FINANCE'S

Inside B&C LENDING



Your Best Source of News and Data on the Subprime Mortgage Business

March 31, 2006

Realtors Often Suggest B&C Lenders, New Survey Finds

Think that real estate agents don't understand the subprime mortgage business? Well, think again.

In fact, a new survey sponsored by Inside Mortgage Finance Publications found that many realty agents can distinguish between prime, subprime, reduced-documentation, and other niche lenders – and that they routinely funnel borrowers to lenders that best suit their credit and product needs.

The poll, conducted by Washington, DC-based Campbell Communications, is the fourth in a series of annual surveys examining the relationship between real estate agents and mortgage lenders. More than 1,780 agents responded to this year's survey, which asked approximately 75 questions related to the mortgage process. For most general questions, the margin of error was 3 percent or less.

Significantly, the survey results suggest that subprime lenders could find opportunities for new business by forging closer ties with Realtors – a strategy that traditionally has been utilized far more frequently on the prime side.

The results also highlight the importance of real estate agents in the mortgage process: the survey found that homebuyers use a mortgage lender recommended by their real estate agent more than half the time.

The survey asked real estate agents to select their most likely mortgage recommendations for homebuyers with good credit, credit problems, or inability to document income. When real estate agents picked lenders for credit-impaired borrowers, recognized subprime lenders such as ditech.com, Ameriquest, Full Spectrum Lending, CitiFinancial, and Accredited Home Lenders were disproportionately selected.

“The results clearly show that real estate agents have a significant influence over homebuyers in their selection of a mortgage lender. Importantly, the research also shows real estate agents know many homebuyers have subprime credit – accordingly, they are recommending mortgage providers that can ensure that their transaction closes,” said Thomas Popik, principal of Geosegment Systems of Nashua, NH, the designer of the survey and the author of the 200-page report that analyzes the findings.

Importantly, survey results showed that homebuyers follow the mortgage recommendations of their real estate agent in more than half of all home purchase transactions. A majority of agents reported that

they do not directly recommend lenders; instead, agents often rely on intermediaries such as mortgage brokers to screen homebuyers for credit quality and determine the lender.

“I have established an excellent working relationship with two mortgage brokers and have had little to no problems,” reported one survey respondent in addressing how he deals with homebuyers that have credit problems. “They do not divulge personal info but are candid when they tell me whether they can buy and up to what amount – or – if there is no way it’s going to happen at least within the next 12-18 months. Then I put them on the back burner, the lender works with them to work out the kinks in their credit and when they are ready, we proceed with the purchase of their dream home.”

Other real estate agents reported that they prefer to work with direct lenders, even when they suspect a client has subprime credit.

“I very rarely use a mortgage broker any more. I prefer a banker that has direct access to everyone involved in the process. The underwriting needs to be done by known personnel so we can question things as issues come up. I am much more adamant that buyers use one of the lenders I know and trust because too many are being burnt at the closing table with fees they didn’t know about from mortgage brokers who start with one company and end up using another,” commented one survey respondent. Another agent commented, “I usually experience the majority of problems with mortgage brokers who try and pass off a pre-approval letter from themselves and not from the actual lender.”

In addition to examining a host of issues related to the mortgage selection and closing process, the new study provides detailed rankings and ratings of individual mortgage lenders.

For more information on the new report, “How Real Estate Agents Work with Mortgage Providers,” contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

[For information on ordering the new survey, contact John Campbell at Campbell Communications at 202-363-2069 or john@campbellsurveys.com.]

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