



INSIDE MORTGAGE FINANCE®

January 4, 2008

Realtors Have Changed Lender Recommendation Practices in Recent Months, New Study Finds

The dramatic turmoil in the mortgage market in recent months has prompted a significant number of real estate agents to rethink which lenders they recommend to home buyers. And increasingly, agents appear to favor lenders owned by their own brokerage firm over large national lenders.

These are several of the major findings emerging from a just-completed national survey of real estate agents. The study, sponsored by *Inside Mortgage Finance* and based on a survey conducted by Campbell Communications in early December, questioned real estate agents about how the ongoing mortgage crisis has impacted the home purchase market. It also asked agents to rate individual lenders on their performance in the current liquidity-challenged mortgage lending environment.

Significantly, realty agents reported that more than one-third of home purchase transactions over the last three months have either been postponed or failed. A hefty 13 percent failed for mortgage-related reasons, according to respondents.

The new study highlights the problems the real estate sales industry is having adjusting to a mortgage market that is very much in transition. Not surprisingly, real estate agents attributed a sharp jump in mortgage-related problems with home sale transactions to both a tightening of underwriting standards and elimination of many previously popular mortgage programs.

One agent complained about “lenders who don’t know what they are doing” and “wasting time trying to get approval on a loan product that the borrower will not qualify for anyway.” Another agent noted that some transactions fell through because “loan programs disintegrated during the closing week,” leaving borrowers to start over with other lenders and other programs.

When asked for the specific reasons behind mortgage-related home sale transaction failures, respondents identified “credit score too low to qualify” as the biggest problem by far, followed by “insufficient income to qualify” and “insufficient downpayment.”

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**7910 Woodmont Avenue
Suite 1000
Bethesda, MD
20814-1709
Tel. (301) 951-1240
Fax (301) 656-1709**

Publisher
Guy D. Cecala

Managing Editor
John Bancroft

Associate Editors
George Brooks
Brandon Ivey
Thomas Ressler
Tim Warren

Statistics
Tommy Mompont

Customer Service
Gwen Jones

Advertising
Mary Lou Probka

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Realtors Look More to Affiliated Lenders

One of the most noteworthy developments emerging from the study centers on recent changes in mortgage recommendation practices among real estate agents. According to the survey results, about 40 percent of respondents indicated they have modified their mortgage recommendation practices in light of the ongoing shakeup in the mortgage industry. Among those altering their practices, the most common change was to more frequently recommend a company's "preferred mortgage provider."

This trend is in sharp contrast with past surveys of real estate agents conducted by Campbell Communications that showed very little loyalty to in-house or affiliated lenders.

The latest survey found that respondents rated mortgage providers owned by their own real estate brokerage firm or their franchisors more highly than they did large national lenders. Specifically, firms like Weichert Financial, Coldwell Banker Mortgage and ERA Mortgage were found in the top half of rated lenders while Bank of America, Countrywide Home Loans, Chase Home Finance and Washington Mutual came in the bottom half.

The new study, "How Agents View Lender Relationships in Stressed Markets," is the sixth in a series of surveys examining the relationships between real estate agents and mortgage lenders. More than 2,400 agents responded to the latest survey and passed qualifying criteria for analysis. To obtain the full survey results, which include detailed ratings of individual lenders, contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

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INSIDE MORTGAGE FINANCE[®]

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New Research Finds that Problem Mortgages Now Account for Significant Number of Home Listings

The ongoing mortgage crisis is rapidly reshaping home sale activity nationwide. According to a new *Inside Mortgage Finance*-sponsored study, a significant number of home sale listings are being triggered by problem or troubled mortgages.

The study, based on a national survey of real estate agents, found that 11 percent of property listings were tied to defaulted mortgages and pending foreclosures. A sizable 12 percent of the listings were potential short sales due to property values dropping below the outstanding mortgage balances. And 6 percent of the home listings were directly attributable to mortgage borrowers facing resets on adjustable-rate loans.

More than 2,400 real estate agents responded to the survey conducted by Campbell Communications in early December. The survey asked respondents a number of questions related to the impact mortgage market problems – particularly rising delinquencies and defaults – were having on the listing and sale of homes.

The new research found real estate agents were quite critical of the way many mortgage servicers dealt with problem loans. Specifically, respondents charged that the inability of mortgage servicers to act quickly prevented the sale of many distressed properties prior to foreclosure.

Much of the criticism leveled at mortgage servicers related to the response time needed by lenders to approve pre-foreclosure sales, particularly those involving home sales where the purchase amount is not enough to pay off the outstanding mortgage balance. Real estate agents reported not only having trouble locating the decision makers at servicing operations but also getting approval in less than a month or two. “insufficient income to qualify” and “insufficient downpayment.”

“It is very difficult to achieve sensible negotiations with banks. They spend so long making decisions or refusing to accept even modest short sales that they wind up making far less in the end than they could, had they been more cooperative from the outset,” complained one respondent. “Streamline the process so we can get a response in less than four weeks,” suggested another respondent.

Not surprisingly, more than half of the real estate agents reported

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spending much more time in handling short sales than regular transactions. They also reported receiving smaller commissions with short sales. The story was much the same in the handling of real estate owned or REO sales.

In terms of short sale transactions, real estate agents reported that the average home sale price was 16 percent below the outstanding loan balance. And in a somewhat disturbing finding, two-thirds of respondents reported that property values in their area were falling compared with a year earlier.

Much of the new study, “How Agents View Lender Relationships in Stressed Markets,” examines the relationships between real estate agents and mortgage lenders. Included in the new analysis are ratings of individual lenders based on a number of mortgage-related factors.

For information on how to obtain the full survey results, contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

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