



INSIDE MORTGAGE FINANCE®

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Broker Selection of Subprime Lenders Driven More by Service than Pricing, New Study Shows

While a typical mortgage broker may be approved to sell subprime loans to a dozen or more lenders, they regularly use only three or four. And the most important factors in a broker's selection of a specific subprime lender generally relate to quick service – not pricing.

These are some of the findings found in a new study of the subprime mortgage market released just last week. The new research is based on a nationwide survey of mortgage brokers that was sponsored by Inside Mortgage Finance Publications and conducted by Campbell Communications of Washington, DC, in December.

The subprime market has been one of the fastest growing sectors – both in terms of dollar volume and market share – of the overall residential mortgage business over the past several years.

Most of the credit for the growth of the subprime market goes to mortgage brokers who aggressively marketed a new breed of lower payment loans to a wide variety of borrowers with blemished credit. But in allowing brokers to push the envelope in terms of looser underwriting and credit standards, subprime lenders set themselves up for increased delinquency and default problems that already are casting a dark cloud over the subprime lending business this year.

The new Campbell study, the first of a series looking at broker activity in the subprime market, reveals that a combination of low payment/higher risk products and quick, reliable turnaround service from wholesalers fueled the boom in subprime lending.

Importantly, the survey found that the two most sought-after loan products in the subprime market as recently as December were perhaps the most risky: stated income loans and 100 percent financing arrangements.

In terms of the most important factors in the selection of a subprime lender, broker respondents rated “account executive knows programs and guidelines” as number one, followed closely by “account executive responds promptly to phone calls/emails” and “account executive provides quick and reliable pricing and pre-qualifications.”

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“Subprime lenders know the importance of excellent AE service, but it’s very expensive to provide,” commented Tom Popik, principal of Geosegment Systems and designer of the survey instrument. “Wholesalers look to technology to reduce costs; but surprisingly, our survey showed not all types of technology are valued by mortgage brokers. It’s only a few key features, such as on-line status of conditions, which most brokers want and need.”

In contrast, factors such as “competitive rates” and “low closing costs” were ranked relatively low by brokers, 9th and 17th place, respectively, in the selection of a subprime lender.

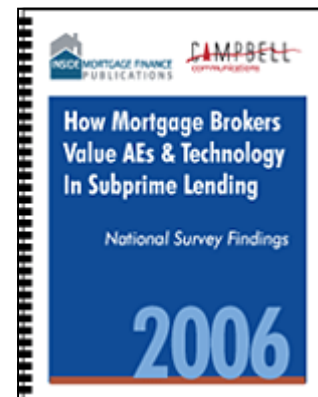
The new survey covers a number of service-related and technology subjects important to wholesale lenders and anyone active in the subprime mortgage market. Among the major topics are: how brokers learn about subprime programs, broker application procedures, how brokers select programs and prequalify borrowers, and subprime underwriting processes.

For information on how to obtain the full survey results in the new report, “How Mortgage Brokers View Subprime Lending,” contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

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Do You Know What's Most Important To Mortgage Brokers in 2007's Subprime Market?

New intelligence shows subprime lenders what works—and what doesn't!



The latest Campbell Communications survey, sponsored by *Inside Mortgage Finance*, is focused specifically on the subprime market and on the principal source of subprime loans: mortgage brokers.

Our survey report contains actionable data that you can immediately use to strengthen broker relationships and increase subprime production:

12 Ways Brokers Learn About Subprime Programs

- Most Important: Lender web sites
- Least Important: Trade press advertising

18 Electronic Services Provided by Lenders and Third Parties

- No. 1: Program selection/pricing engine on lender web site
- No. 16: Program selection and pricing within LOS

12 Common Underwriting Issues

- Most Important: AE price quote changes
- Least Important: Lost faxes and emails

12 Underwriting and Pipeline Management Features

- Most Important: Online status of conditions
- Least Important: Text messaging to cell phones

15 Subprime Loan Programs

- Most Important: Stated income
- Least Important: Payment option ARM

24 Factors in Selecting a Subprime Lender

- Most Important: AE knows programs and guidelines
- Least Important: Lender available in multiple-lender pricing and prequal engine

And hundreds of other valuable rankings, ratings, and statistics

Why guess what your subprime brokers want when you can get hard data?

Read the project prospectus and page through the actual survey at
www.campbellsurveys.com/html/products.html

To purchase full survey results or for more information,
call John Campbell at 202.363.2069 or e-mail him at john@campbellsurveys.com.





INSIDE MORTGAGE FINANCE'S

Inside B&C LENDING



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

January 27, 2007

Study: Subprime Market Embraces High Risk Products

While the mortgage market pioneered the development of alternative loans for wealthy borrowers with strong credit profiles, a number of the most risky products appear to be increasingly finding their way into the subprime lending business.

That's one of the key findings contained in a major new study of the subprime mortgage market released this week. The new research is based on a nationwide survey of mortgage brokers that was sponsored by Inside Mortgage Finance Publications and conducted by Campbell Communications of Washington, DC, in December.

Significantly, the survey found that the most sought-after loan product in the subprime market these days is one that allows borrowers to qualify based on stated income – with no verification. So-called stated income loans are a staple of the Alternative A market, a sector historically geared toward borrowers with high credit scores.

Brokers identified 100 percent loan-to-value mortgages – another loan type originally designed for high income borrowers – as the second most important product in the current subprime lending environment. The third most important product is a variation of the 100 percent LTV loan: a first mortgage with an 80 percent LTV and a simultaneous second, or piggyback, loan for the remaining 20 percent LTV.

“These survey results confirm that much of the subprime market has added another layer of risk – limited documentation – to the previous risk factor of low credit scores,” said Tom Popik, principal of Geosegment Systems who authored the new report on the subprime market. “It also reflects the blurring of lines between the Alt A and subprime markets and the competitive offerings necessary to be a full-product line lender.”

Interestingly, brokers in the new survey did not rate nontraditional or so-called “exotic” mortgages as very important in subprime lending. Interest-only loans came in eighth place in importance while payment option ARMs came in dead last.

The new research is the first in a series that tracks mortgage brokers exclusively on subprime lending issues. The survey covers a number of service-related and technology subjects important to

wholesale lenders and anyone active in the subprime mortgage market. Among the major topics are:

- ✓ How brokers learn about subprime programs
- ✓ Broker application procedures
- ✓ Electronic services provided by lenders and third parties
- ✓ How brokers select programs and prequalify borrowers
- ✓ Electronic loan submission processes
- ✓ Subprime underwriting processes
- ✓ Credit reports pulled by brokers and lenders
- ✓ Underwriting status and pipeline management
- ✓ Most important subprime loan programs
- ✓ Preferred subprime lenders
- ✓ Reasons that brokers use lenders for subprime borrowers
- ✓ Rankings and ratings of subprime lenders

More than 2,000 mortgage brokers completed the survey and passed validation criteria. For most general questions in the survey the number of responses yielded a margin of error of 3 percent or less.

For information on how to obtain the full survey results in the new report, "How Mortgage Brokers View Subprime Lending," contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

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