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Correspondent Originators Switch Between Channels Depending on Product Niche, New Research Finds

While the traditional correspondent lender in the residential mortgage market was once a small bank or thrift, the majority of correspondents now classify themselves as independent mortgage companies. And in many cases this new breed of correspondent lender has the option of selling mortgages as either a correspondent or a wholesale broker.

These are some of the significant findings emerging from a new nationwide survey of correspondent lenders sponsored by *Inside Mortgage Finance* and conducted by Campbell Communications over the past month. The survey was used to produce a comprehensive report, titled "How Correspondent Lenders Work with Their Investors," which was released just this week.

According to the new research, more than three quarters of correspondents surveyed described their firms as independent mortgage companies. Less than one-fifth of respondents classified themselves as banks or a depository institution.

"Many correspondent lenders today are essentially 'super' mortgage brokers that have warehouse lines and can fund their own loans. They decide on a loan by loan basis whether to sell their production on a flow correspondent, or wholesale broker basis. Our new survey captures a lot of the details surrounding this phenomenon," noted Tom Popik, a principal of Geosegment Systems in New Hampshire and the author of the new report. On average, more than a third of the correspondents reported regularly selling loans on a wholesale broker basis. This helps explain why some industry surveys suggest that mortgage brokers have accounted for 60 percent or more of total originations in recent years.

Importantly, the new correspondent survey finds that originators have different reasons for choosing a specific wholesale delivery channel. For example, when pricing is most important for a correspondent lender, the bulk channel is often chosen. If liability is a concern – such as with subprime loans – correspondents regularly opt for the wholesale broker channel.

"The new survey results contain a wealth of information about

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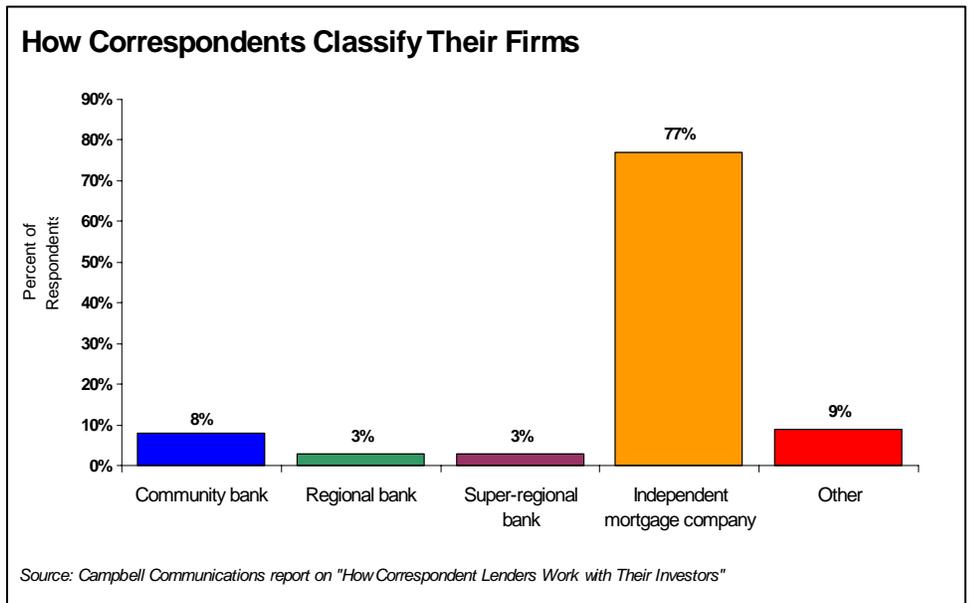
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why correspondents choose a specific channel for selling loans to investors. If you are an investor, this information is extremely valuable for mortgage brokers,” Popik said.

In addition to asking correspondent lenders why they favor different channels for different loan products, the new survey asked them to rank individual investors on their various correspondent offerings. The research is the second in a series that tracks correspondent lenders and their relationships with investors.



For information on how to obtain the full survey results in the new 152-page report, “How Correspondent Lenders Work with Their Investors,” contact John Campbell at Campbell Communications at john@campbellsurveys.com or (202) 363-2069. ♦

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