

# **INSIDE ALTERNATIVE MORTGAGES**

## ***Innovative Products for A Changing Mortgage Market***

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## **Poll: Brokers Feverish in Shopping Alt A Loans**

Think that your company is getting first crack at that Alt A loan package submitted by a mortgage broker? Well, you are likely wrong.

In fact, a new survey sponsored by Inside Mortgage Finance Publications reveals that the average mortgage broker vigorously shops packages among lenders. The survey also suggests, however, that lenders with strong alternative mortgage programs may be in a better position to capture more loans.

Conducted in November by Campbell Communications, a Washington, DC-based consulting firm, the survey asked brokers around the country to weigh in on a variety of topics and to rank the best and most frequently used lenders for a number of nonprime products.

The results, based on an analysis of more than 2,400 responses, suggest that brokers dealing with nonprime borrowers put a premium on customer service, particularly when it comes to returned phone calls and emails, while paying relatively little attention to marketing campaigns. The automated solutions that many wholesalers have built their businesses around apparently aren't much of a factor either.

Perhaps more importantly, the survey reveals that a large percentage of mortgage brokers try out a number of different lenders when trying to find the right loan for their clients.

Asked to describe their shopping behavior for pre-qualifications, some 73 percent of brokers said they shop identical loan packages, including Form 1003s and credit reports, to two or more lenders. While the average nonprime broker sends prequalification packages to 2.5 different lenders, more than 40 routinely send packages to three or more lenders.

With regard to underwriting, the results were similar: the average broker submits identical packages to two lenders, but 27 percent reported that they regularly seek underwriting decisions from three or more lenders.

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For lenders, the shopping behavior of brokers is potentially problematic because it pushes up costs and forces underwriters to spend time on loans that ultimately may not fund. Brokers, however, argue that shopping loans is often their best defense against what many say is a rising tide of worthless pre-quals.

For that reason, it's not surprising that brokers tend to shop less when lenders can deliver on their promises. Some 34 percent of survey respondents, for instance, identified "quick and reliable turn times" as the most important factor that would lead them to submit a package to only a single lender.

Meanwhile, 20 percent of those polled said they could be persuaded to work with a single lender that offers a board range of alternative products for borrowers who don't qualify for traditional offerings.

### ***Who's Who?***

The survey also highlights brokers' views about the best lenders for particular loan products.

For Alt A mortgages overall, Countrywide Financial was identified as the most frequent choice of brokers. That was followed by Wells Fargo, GreenPoint, First Franklin and IndyMac Bank. Countrywide was also the most frequently-used lender for Alt A borrowers seeking IO or stated asset loans, no prepayment-penalty options, jumbo loans, and piggyback loans.

IndyMac was identified as the most frequently used lender for construction to permanent loans while Homecomings Financial was identified as the most frequent choice for borrowers seeking 103 percent financing. \*

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*[For more information or to purchase a copy of the results of the survey, "How Mortgage Brokers View Subprime & Alt A Lending Relationships," contact Campbell Communications at (202) 363-2069.]*

# What's the value of...

## your account executives promptly returning phone calls from subprime mortgage brokers?

## Stop guessing—

According to a recent Inside Mortgage Finance-sponsored survey of 2,457 mortgage brokers, a majority would prefer "phone calls and e-mails responded to within one day" over "1/2 point lower rate"

Knowing that one simple fact could help save your subprime lending operation millions of dollars. But that's not the only thing Campbell Communications' new survey report, "**How Mortgage Brokers View Subprime and Alt A Lending Relationships**," can tell you. It can also answer critical business questions such as:

- What should lenders do to be the exclusive recipient of brokers' prequalification and underwriting packages?
- Which factors are most important in broker-lender relationships—rates and closing costs, turn times, account executive service, product options, electronic services, etc.?
- When brokers look for new subprime and Alt A lenders, which promotional avenues are most effective—direct mail, Internet web sites, media advertising, phone calls from AEs, or visits from AEs?
- And dozens of other business-critical questions, as well as detailed ratings on 35 factors for nearly all major subprime and Alt A lenders

If you're a subprime or Alt A lender thinking about how to make your company more appealing to mortgage brokers—and more efficient as well—we have the data you need.

**Find out what brokers really value and need. Order today!**

Call: **202.363.2069** Or e-mail: [info@campbellsurveys.com](mailto:info@campbellsurveys.com)



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*INSIDE MORTGAGE FINANCE'S*

# Inside B&C LENDING

*An In-Depth Report On The Dynamic Subprime Mortgage Business*

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January 6, 2006

## **Service Remains the Key to Wooing Mortgage Brokers, IMF Poll Finds**

At a time when technology is reshaping the nonprime mortgage market, making it easier and faster to generate and close loans, mortgage brokers appear wedded to their telephones.

That was one of the major conclusions to emerge from a new survey of mortgage brokers sponsored by Inside Mortgage Finance Publications. Conducted in November by Campbell Communications, the 2005 survey results are based on responses from more than 2,400 responses brokers around the country who were asked to weigh in on a variety of topics and to rank the best and most frequently used lenders for a number of different types of non-prime products.

In general, the survey results suggest that brokers put a premium on customer service, while placing considerably less value on automation or glitzy marketing campaigns. But what exactly do brokers mean by good service? The answer is surprisingly simple: a quick response from their account rep.

Asked to choose between a scenario in which a subprime lender returned all of their phone calls and emails in a day or less or one that gave their borrower a ½ point lower rate, a solid majority of brokers, 55 percent, said they would prefer the fast return call.

Significantly, the survey reveals that lenders who can't deliver good service will pay a premium when it comes to pricing: some 65 percent those polled said they would have to get a rate break of ½ point or more to offset bad service and slow turn times.

Why are return phone calls and emails so important? Probably because they remain the primary way of pricing loans for most mortgage brokers active in the subprime market. A full 47 percent of survey respondents, for instance, said that they usually determine a borrower's rate and loan program through a phone call or email to an account executive or a call center. Just 30 percent rely on automated pricing engines while a scant 20 percent price loans off published rate sheets.

Asked why they prefer to call or email, more than a third – 34 percent – of brokers said it's just easier. Another 29 percent said they call when special underwriting or exceptions are required. Some 20 percent of brokers said they find rate sheets too hard to understand – with many adding that they can typically get good “off-sheet” pricing from their AEs, while 9 percent said they found automated sce-

*Continued...*

narios too hard to use.

The survey did find some differences among brokers based on volume, however. Respondents who reported making 10 or fewer subprime loans each year were more likely – 27 percent compared to 14 percent – than those brokering 100 or more loans per year to be confused by rate sheets. In contrast, large brokers were significantly more likely than smaller ones to call about exceptions or special underwriting.

### ***Many Called, Few Chosen***

Among its other key findings, the survey confirms what many lenders have long suspected: the average broker vigorously shops loan packages among a number of lenders. In fact, some 73 percent of respondents said they typically submit identical packages, including 1003s and credit reports, to more than one lender for prequalification. While the typical broker submits his loan package to 2.5 lenders, 42 percent of survey respondents said they usually submit identical prequalification packages to four or more lenders. The same pattern holds true for underwriting: more than half of all brokers say they submit identical final packages to multiple lenders, with 36 percent asking for a decision from three or more lenders.

But that doesn't mean that brokers can't be persuaded: the survey points to a number of factors that are influential in inducing brokers to work with a single lender. A full 34 percent of those polled said that consistent "quick and reliable turn times" would induce them to submit a package to a single lender for underwriting. Meanwhile, 20 percent said they would work with a single lender that had an extensive alternative loan program and an equal percentage put the granting of underwriting exceptions atop the list of factors that could influence their loan shopping behavior. ♦

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*[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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