

# Managing the higher real estate rate climate

## Guest perspective: Mortgage companies embrace Web, new loan products

Tuesday, April 19, 2005

[By Stephen Bedikian](#)



Stephen  
Bedikian, Real  
IQ Consulting

If you've been feeling a new sense of urgency about preparing for a higher mortgage rate environment, you're not alone. Combine talk of inflation and real estate housing bubbles with the recent run-up in long-term mortgage rates and a little anxiety is inevitable.

Mortgage originators are pursuing a number of strategies to offset the ongoing decline in refinance volume and the expected decline in purchase volume as long-term rates rise.

IndyMac, for example, is "focused on more all-weather products that are less rate and term sensitive," according to Frank Sillman, CEO of the Mortgage Professionals Group at IndyMac. Those products include, "Alt-A, home-construction lending and non-prime products. We haven't seen the tremendous highs that some other companies did, nor are we seeing the lows that other companies are having," he said.

Cotter Cunningham, chief operating officer of Bankrate.com, has seen other lenders dipping into the sub-prime market to broaden their potential pool of customers. "Over the last six months to a year we have seen a strong surge of interest from lenders in lower-credit quality consumers."

Other lenders are emphasizing home equity loans to allow consumers to tap into the equity created by rising home prices. "Home equity and purchase lending will help to fill in much of the declining refinance volume," said Chuck Hoover, senior vice president of marketing for LoanApp.com and BestRate. "The tremendous run-up in home values during the last several years has created a vast reservoir of wealth tied up in the home that consumers will want to tap into for a variety of reasons. In a rising-interest-rate environment, home equity loans will be the most efficient way to do that."

Lenders are also beefing up their retail operations to grow their share of the purchase mortgage market. That means more branches, more joint ventures with real estate brokers and more interest

### Become a Member of Inman News

- Access 30,000 articles
- Weekly print newsletter
- Special reports
- Reprint rights
- Audio content
- Members discounts

[Sign up now!](#)

in purchase leads from the online channel. Mortgage aggregators like iHomeOwners, operator of LoanWeb.com, are seeing this trend in the price of purchase leads.

"Historically, our business was very much driven by refinance volumes," iHomeowners President John Hasenauer said. "Over the last six months, that's really changed. We're seeing more of our broker and lender customers asking for purchase leads."

Other Internet mortgage sites are also seeing evidence of this growing interest in purchase business. According to LoanApp.com's Hoover, "Typically purchase leads are more complex to fund than refinance leads because there are more parties involved in the transaction. The refinance market has been so strong that mortgage originators have not had to worry about maximizing their purchase leads and so did not put in place the processes necessary."



Hoover believes that done correctly, purchase leads can be as valuable as refinance leads. "One of our broker customers recently closed a jumbo purchase loan from a LoanApp.com lead and made over \$15,000." He noted, however, "it required almost two months of persistence and work."

Linda Chappelle of Client Services Financial in Santa Clarita, Calif., a mortgage broker specializing in the sub-prime market, has been very happy with the purchase leads she buys from services like LoanApp.com. "The leads I prefer are full apps with a Social Security number. They're serious about buying. Otherwise you will have the 3 o'clock in the morning folks. On full apps my close rate is about 80 percent."

Chuck Hoover,  
LoanApp.com

Chappelle's experience may be somewhat unique, but the data supports her contention that Internet new-home shoppers are serious. A study recently conducted by Real IQ Consulting for iHomeOwners found that 64.7 percent of purchase loan requests on LoanWeb.com resulted in a new mortgage being secured by the consumer. The average time to close for those purchase leads was 61 days.

iHomeOwners' Hasenauer said, "It's crucial that brokers and lenders build a relationship with their online customers during this shopping phase. The Real IQ study proves that the Internet is a highly efficient marketing channel for all loan originators if they tailor their partners and sales processes to serve the online customer."

Mortgage broker Chappell agrees. "I pick up the phone and I call them immediately. I try to establish a personal rapport. It's that confidence level that I build up. You've got to be there at all times and you can't shut your phone off."

Ken White, senior loan officer at Dana Capital Group in Irvine, Calif., made the same point, "Pick up the phone quick. That's what you have to do on the Internet leads. If you're the fastest one on the trigger, I think your chances of closing are much higher."

The challenge for direct lenders seeking to build up their purchase business through the online

channel is establishing that relationship with the consumer. "We've found that Realtors aren't comfortable about their purchase transactions being handled by someone remotely in a call center. So there is a lot of encouragement of double apps. (They tell their clients) 'I'd like you to put your app in with my local mortgage broker,'" IndyMac's Sillman said.



Frank Sillman,  
IndyMac

"About 75 percent of our business is mortgage broker and banker. We happen to feel that local loan officers are the best purchase originators in the market," Sillman said. "So we made a bet with mortgage brokers a long time ago. Even during the refinance boom, mortgage brokers have really kind of stuck to their knitting and kept their relationships with Realtors. Our production remains very strong as a result of that."

Quicken Loans has tried to offset the perceived advantage of local mortgage brokers by harnessing the power of the Internet to simplify the mortgage process and to make it more convenient for their clients. "We think the Internet gives us some very powerful advantages over other mortgage lenders," said Bill Emerson, CEO of Quicken Loans. "People can apply online or over the phone, at any time of the day or night, from the convenience of their home or office. We've harnessed technology to speed up and simplify the mortgage process via electronic signature and other technologies."

Quicken Loans also puts a strong emphasis on product training, Emerson said.

As the challenges of a rising interest rate environment increase pressure on all mortgage originators, perhaps the most important thing to do is keep a sense of historical perspective. As Dana Capital Group's Ken White reminds us, "Rates are still great. I remember when I had a 12 percent interest rate in the '80s and I thought that was a great deal."

*Stephen Bedikian is a partner with [Real IQ Consulting](#), which provides marketing analysis and consulting services for the mortgage industry. He can be reached at [sbedikian@realiq.com](mailto:sbedikian@realiq.com), (310) 871-3737.*

\*\*\*

**What's your opinion? Send your Letter to the Editor to [opinion@inman.com](mailto:opinion@inman.com).**

Copyright 2005 [Inman News](#)