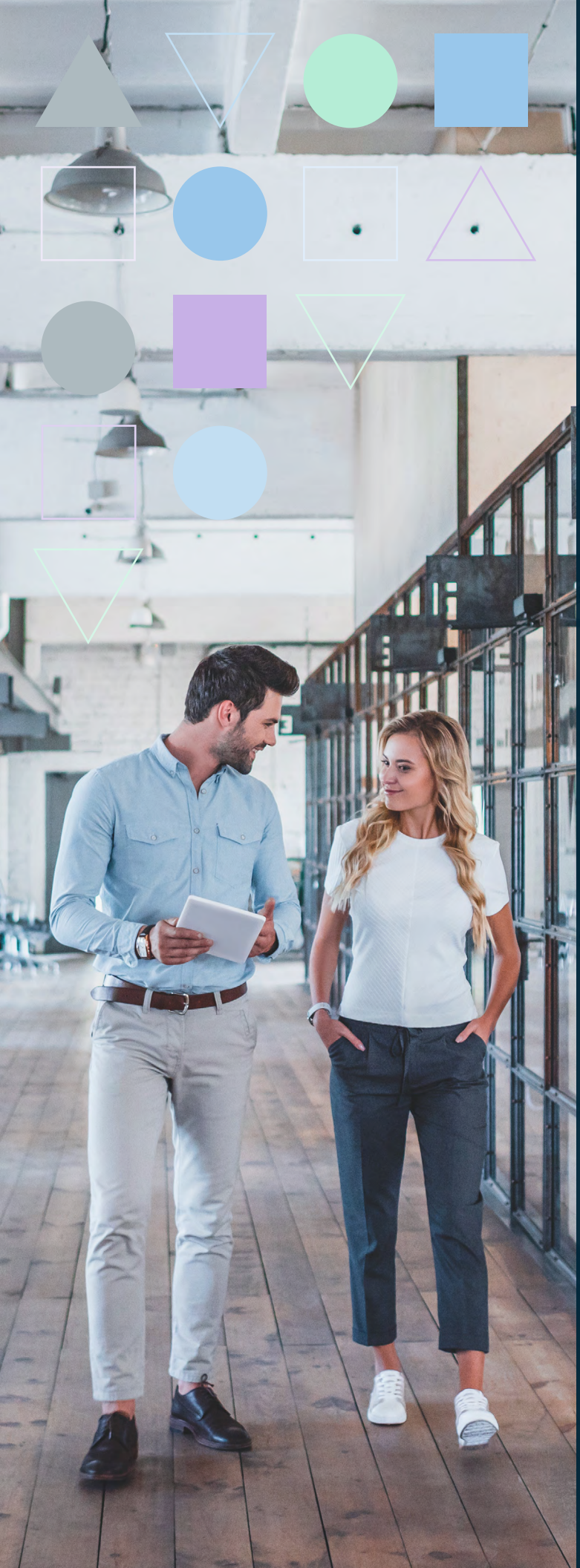

TotalExpert

Generate and Close More Loans in Any Market

Drive sustainable growth by identifying the best opportunities, understanding borrowers' needs, and supporting originators.

Mortgage lenders face significant pressure right now. From the top of the organization down to each originator, teams are looking for ways to address the new market reality. Loan officers are helping with more and more home purchases – a loan type with much longer, more-intricate paths to close. Regional managers are pressed to support their teams. And, in the C-suite, leaders must chart a path to profit in years with few easy originations to be made.

While the easy money is gone, lenders who focus on two fundamental tactics can prevail: Customer success and loan originator success.

We're not talking about generic "success" in this guide. Instead, we want to show you, specifically, what lenders need to do to serve the most pressing needs of homebuyers and homeowners right now. And, how that translates into the way that regional managers and organizational leaders support loan originators. Lenders who follow the steps outlined here will find origination volume and more efficiency in support of profitability.

We'll cover what opportunities remain in the market, what homebuyers and owners need from lenders, how marketing and sales teams need to coordinate right now to serve these needs, and finally how leadership can support them.

Equity – 2022's Refinance Opportunity

For 2022, Fannie Mae forecasts home equity to appreciate 16% year-over-year, an upward, revised from its previous forecast of a 10.8% increase. In June, the national median listing price for single-family homes was $450,000, up 16.9% from the same time last year and more than 31% from June 2020, according to Realtor.com.

This equity trend is one of the bright-spots for mortgage origination volumes in 2022 and 2023.

"Home prices maintained a near-historic pace of appreciation in the second quarter, as low levels of housing inventory continued to support price growth," said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist. "At the end of 2021 and extending into 2022, we believe many homebuyers pulled forward their purchase plans to avoid expected increases in mortgage rates, contributing to demand for homes and strong price appreciation."

Fannie Mae economist expect the sharp rise in mortgage rates to cool purchase demand in the quarters ahead, which in turn will moderate home price appreciation. Homeowner equity is projected to remain elevated, but it is receding. Economist from the Mortgage Bankers Association expect median home prices to reach $379,000 in third quarter – an increase of about 5% since the beginning of the year. Median home prices peaked in second quarter.

Independent Mortgage Lenders Launch HELOC offerings

Drawn by the opportunity to serve homeowner equity, independent mortgage lenders are launching digital-based offerings for home equity lines of credit (HELOC) this year.

HELOCs were originally a product offered by independent mortgage lenders, but they became mainstream for banks and credit unions in the 1970s. Since then, independent mortgage lenders largely have ceded the product to financial institutions. Equity, though, has become such a widespread opportunity that independent lenders are announcing HELOC products, signaling new competition entering the market against financial institutions' HELOC offerings.

In May, to serve these financing needs, loanDepot announced a digital HELOC offering "designed to help consumers easily and conveniently access their funds in as little as seven days." It plans to launch the product in the third quarter of 2022.

"Double-digit home value appreciation over the last two years has resulted in homeowners across the country gaining new wealth through record levels of home equity," loanDepot said in its recent HELOC offering announcement. "Rising interest rates coupled with high inflation make home equity lines of credit a smart and convenient way for consumers to leverage their equity."

LoanDepot noted that homeowners are not able to "tap into their most valuable asset with speed and ease" through "standard HELOC products offered by traditional banks or lenders."

In July, Guaranteed Rate also announced a new home equity line product, available in 41 states and Washington, D.C. Consumers can easily apply with a "100% digital" experience from application to closing. The lender said borrowers can apply in 10 minutes and receive approval "in only moments."

The Mortgage Relationship Moment

As noted by Fannie Mae's Chief Economist, rates are motivating buyers to move this year before rates climb even more. Homebuyers need lenders who have the expertise and the tools to help them into their next home as soon as possible. With rates rising significantly, borrowers need help figuring out what to do, and they need it fast.

Consumers are increasingly pessimistic about their prospects in home real estate. Their sentiment about homebuying conditions fell to its second-lowest reading in a decade, according to a Fannie Mae report on Home Purchase Sentiment.[5]

If buyers are downtrodden on the market, you might expect sellers to be optimistic. But that's not what Fannie Mae found. The percentage of consumers who believe it's a "Good Time to Sell" fell to 68% - a decline of 10% this month. For the first time since 2015, approximately half of all respondents indicated that it would be "difficult" to get a mortgage, the highest such percentage since 2014. People feel uncertain. Sellers aren't sure they can afford a new home with prices and rate appreciating at the same time.

Homebuyers' negative sentiment, though, shouldn't be read as a score against the market's prospects. Most consumers in the same survey in May said they would prefer to buy a home if they moved, rather than rent. People want to own a home; they're just not sure they can. They need a provider who knows the steps to make their goals possible.

The same is true for homeowners who have equity. Many can refinance, others can finally upgrade their home, and still more can pay for an unexpected, large expense without using a credit card. They need to know and understand their options; they await a lender who will show them.

Even while the originations are declining, consumers' need for engaged lenders that share expertise is booming.

Acting on The Relationship Moment

Teams that interact directly with customers have a lot to do this year if lenders are to make more loans out of customers' need for education and options. Primarily, two teams will need to work together: marketing and sales.

While originators are busy helping purchasers, marketing needs to beat the bushes for refinancing business. And they need to reengage borrowers who don't complete applications or those who talked with a loan officer but didn't apply. Loan officers need to be focused on purchase plays – bridge loans, underwritten preapprovals, realtor relationships, and annual loan reviews when possible.

For marketing and sales to be successful though, they need specific support from sales and organizational leaders. They must ensure marketing teams can engage those borrowers who show the need for mortgage credit or equity financing, as well as those who are listing their home for sale. The same is true of contacts in loan officers' databases, and contacts who began applications. You can't send a personalized email, or make a timely loan officer call, if you can't segment which customers need which engagement. To enable teams with that kind of information, leaders must invest in the technology - data and customer intelligence – to bring these capabilities to their staff.

In years where efficiency is pivotal to support profits, time usage from manual processes is enemy number one. Manual processes plague lenders as they try to use their data. However, when it is harnessed, it is driving huge efficiency gains for loan officers, and for the marketing production teams that execute marketing campaigns and communications.

Marketing cannot be manually queueing campaigns to nurture borrowers who've made contact or who didn't complete an application. Loan officers also need automated loan communications to update borrowers on their loan status, and to invite borrowers to conduct an annual loan review. Lastly, co-marketing must not take weeks of both marketing and originators time to set up. Technology does this today; it's really just a matter of adopting it.

Mortgage leaders can turn the pressure down on everyone. And if they do, everyone wins. Customers can buy their desired home or renovate that kitchen. Loan officers find every possible opportunity for originations and aren't bogged down in actions that aren't productive. Marketing correctly supports both the customer and originators. And the overall lender faces far less borrower attrition, reduces waste in their operations, retains more marketers and originators, and develops the organizational muscle to power through even the leanest years.

These aren't upgrades you make to address this year and next, these are upgrades you make to create the kind of consistently profitable company that pays bonuses and provides value to owners.

Sources:

[5]Fannie Mae. "Consumers Appear Increasingly Frustrated by Housing Market, Larger Economy." July 2022.