As Mortgage Interest Rates Fall and Borrowers Go Online to Refinance, Are Lenders Ready for the Next Refi Boom?

Mortgagebot CEO says: ‘Only lenders with interactive, fully transactional mortgage Web sites can profitably absorb today’s increasing loan volume.’

Mequon, Wis. (December 9, 2008) — Mortgage interest rates are falling to near-historic lows, and home affordability is the highest since 2002. Consumers are refinancing at a pace not seen since the “refi boom” of 2003 to 2005; and if rates keep falling, the new wave of refis could get even bigger. Now lending managers are asking themselves, “Can our staff handle this volume?” And consumers are wondering, “How can we gain easy access to today’s mortgage bargains?”

Scott Happ, President/CEO of Mortgagebot® (www.Mortgagebot.com), has one answer for both questions: Use the Internet.

Mr. Happ says that modern, online, point-of-sale (POS) mortgage-origination systems, such as Mortgagebot’s industry-leading PowerSite® product family, are what lenders need to handle rising volume—and what consumers need to efficiently shop and apply for loans. He cites the success of Mortgagebot’s 800-plus clients as proof.

Gregg Formigoni, Vice President and Mortgage Department Manager at the $245 million-asset, 12-branch Illini Bank and Trust of Springfield, Ill., said that the implementation of Mortgagebot PowerSite is a key factor in his department’s ability to keep pace with rising mortgage volumes.

In an interview in the American Banker, Formigoni said, “The rate drop last week has definitely increased our application volume. We already have closings [set] for around Christmastime.”

When asked how PowerSite helps his Bank meet rising demand, Mr. Formigoni noted how PowerSite provides immediate conditional approval for Fannie Mae-qualifying applications—which used to take 48 hours. “PowerSite [is] central to … our mortgage business,” he said.

Changing mortgage market; increasing mortgage volume

The Thanksgiving holiday did not squelch consumer desire for lucrative refi opportunities. News that the Federal Reserve would purchase $500 billion in mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae immediately “drove down interest rates … [to] 5.25 percent to 5.375 percent, sparking a surge of interest from homeowners.”

The New York Times cited a Mortgage Bankers Association of America (MBA) refi report from Thanksgiving week showing that refi activity tripled in comparison to the previous week and increased by almost 38 percent over the same week in 2007.

Now some lenders are wondering if they are insufficiently staffed to handle the rising volume of mortgage applications. “Lenders with an interactive, fully transactional online lending channel—such as Mortgagebot’s clients—are the only ones that are positioned to profitably absorb the current volume of mortgage-loan activity,” Mr. Happ affirmed.

“Our more than 800 clients include a wide range of community bank and credit-union lenders,” said Mr. Happ. “For many months now—and with no media fanfare—these trusted, local lenders have seen their mortgage volumes climb steadily as rates have fallen, mortgage brokers have faded away, and the big subprime players have been struggling to survive.”

Consumers now prefer the online mortgage channel

“Perhaps even more significant than today’s falling interest rates is how modern consumers are responding,” observed Mr. Happ. “They’re doing most of their shopping and applying for mortgages over the Internet.”

Mr. Happ cited a recent study by Deloitte Consulting, which reveals that borrowers now prefer the online mortgage channel—in fact, consumers of every demographic segment now use the online channel first when mortgage shopping.

“It used to be that only big, national lenders had sophisticated, interactive mortgage-application Web sites—but that was then,” he said. “Now, because advanced online technology is so affordable and easy to implement, banks and credit unions of every size are gaining new mortgage business from the online channel.”
With today’s sophisticated online technology, mortgage shopping no longer has to be a time-consuming exercise in frustration—which means no more waiting for an overburdened loan officer, or being kept “on hold” by a busy call-center representative. Consumers can now go to a lender’s mortgage Web site “24/7/365” and get an accurate quote in seconds.

And if they select a lender with an intelligent, fully transactional mortgage Web site, consumers can accurately complete an entire mortgage application, get pre-approved, and receive all required disclosures—in as little as 20 minutes.

**Mortgagebot clients: ‘Want to refi? We’re online, ready for you 24/7.’**

When the last refi “boom” started in 2003, applying for a mortgage online was far from the norm; few lenders even offered such a capability. But in the last five years, the market has undergone a sea change in consumer preference.

“Less than 60,000 mortgage applications were processed through all of our clients’ Web sites from January to November of 2003,” recalled Mr. Happ. “But from January to November of 2008, we’ve seen volume increase by a factor of seven, to nearly 400,000 applications. On ‘Cyber Monday’ alone, our clients’ Web sites saw 175,000 rate searches—one of the ‘top ten’ busiest days in Mortgagebot’s 11-year history.”

“In the last five years,” said Mr. Happ, “hundreds of community banks and credit unions have implemented interactive, user-friendly mortgage Web sites from Mortgagebot, which enable borrowers to instantly get detailed, accurate rate quotes. Those lenders are now saying, ‘Want to refi? We’re online, and we’re ready for you 24/7.’”

Yet despite the increasing popularity of the online channel, Mortgagebot research indicates that only about 20 percent of bank and credit-union mortgage lenders have an intelligent, automated mortgage-application Web site.

“When it comes to mortgage applications, too many banks and credit unions are still bogged down with online PDFs, paper 1003 forms, and manual data entry,” said Mr. Happ. “And for many lenders, the only sure way for a borrower to apply for a mortgage or a refi is to make an appointment with a loan officer. As a result, lenders are now backlogged and unable to keep pace with the application volume that’s flooding into their branches.”

Mr. Happ says there’s a better way.

“Today’s consumers demand speed and convenience, which makes the Internet the ideal channel for the mortgage-application process,” he noted. “Our clients frequently tell us that PowerSite delivers the best possible online application experience for their borrowers—and that they’re boosting productivity without adding staff. Their automation multiplies their effectiveness and enables them to keep pace with rising volume, while still providing outstanding service.”

“We’re a small credit union with only two people on our mortgage staff,” says Ms. Linda Boe, Mortgage Supervisor at Louisiana Federal Credit Union, a three-branch, $115 million-asset credit union in LaPlace, La. “Mortgagebot has helped us more than double our loan production—and we still have only two people in our mortgage department!”

“We’re very pleased with the way Mortgagebot PowerSite saves us time and money,” stated Ms. Boe. “It basically does the work of about three people for us.”

**About Mortgagebot**

Mortgagebot LLC ([www.Mortgagebot.com](http://www.Mortgagebot.com)) is the industry-leading, Inc. 500 company that provides the unique, award-winning **PowerSite** family of integrated-channel POS solutions for taking mortgage applications enterprise-wide: consumer-direct via Internet, in the branch or call center; or through professional loan officers. Mortgagebot blends extensive mortgage experience with leading-edge “software-as-a-service” (SaaS) technology to create scaleable and affordable Web sites for more than 800 mortgage lenders nationwide.

Mortgagebot also offers **Mortgage Marvel®** ([www.MortgageMarvel.com](http://www.MortgageMarvel.com)), the award-winning, ad-free mortgage-shopping Web site that delivers accurate, anonymous, real-time rate quotes in seconds from a nationwide selection of lenders. But unlike other Web sites, Mortgage Marvel enables borrowers to link directly to their preferred lender—where they can complete a mortgage application and get pre-approved with full disclosures, all in 20 minutes or less.

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2 “Refis, for Real: This Wave of Applications May Last,” by Harry Terris and Kate Berry, *American Banker* (12/5/08; p. 7).
5 “The Silver Lining in Lending: Turning Doubters into Online Believers,” by Annette Tirabasso and Kimberly Spears (May 2008), published by Deloitte Development LLC.