



What the Mortgage Market Reads



# INSIDE MORTGAGE FINANCE®

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## Real Estate Agents a Factor in Homebuyer's Choice of Lender in About One-Third of Sales

Real estate agents have significant influence when it comes to which lender a homebuyer will choose, according to new research by Campbell Surveys, based on a national survey sponsored by *Inside Mortgage Finance Publications*.

Tom Popik, research director of Campbell Surveys, said real estate agents recommend specific mortgage providers for 55 percent of their mortgage-financed transactions, on average. When agents recommend mortgage providers, homebuyers use one of the recommended mortgage providers 68 percent of the time, on average.

“We can therefore impute that agents control or influence selection of the mortgage provider for 37 percent of mortgage-financed homebuyers,” he said.

The findings were detailed in a report titled “Building Effective Partnerships with Real Estate Agents.” More than 2,500 agents responded to the survey and passed validation criteria.

“For mortgage originators that need to build retail share, it is hard to ignore the substantial influence real estate agents have on the choice of a lender,” Popik said.

A strong majority of real estate agents indicate that their mortgage referral strategy is a key success factor for their business. Most agents keep two to five lenders on their referral lists.

When determining which lender to recommend, real estate agents said the most important factors to consider include whether the buyer is a first-time homebuyer, the buyer's current relationship with a lender, and whether the homebuyer has a pre-approval from a lender. Real estate agents are concerned whether a lender will meet closing timelines, while homebuyers tend to be more concerned about interest rates and closing costs.

“I have to trust my lender network. If they cannot deliver on their promises, they will not get my referrals,” said one agent who participated in the survey. “Delayed closings are huge. If the lender said they would get the loan done and they don't, then my reputation looks bad because I referred the homebuyer to the lender.”

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Loan programs and costs for homebuyers are among the other factors real estate agents consider when recommending lenders. Popik said agents often prefer local mortgage brokers and community banks instead of big banks. The local lenders are seen as having better closing times and stronger communication than large lenders.

Many real estate agents won't take homebuyers to see homes without a mortgage pre-approval. On average, 38 percent of homebuyers have a mortgage preapproval at the first meeting with an agent.

When homebuyers reject an agent's recommendation regarding mortgage lenders, the most common reasons are that the buyer has a pre-approval from a different lender or has a pre-existing relationship with a different lender.

While it is commonly understood that agents provide value to lenders through homebuyer referrals, lenders can also give value to agents by indicating which potential buyers can close on homes.

The report from Campbell Surveys details current real estate agent practices with mortgages, with particular emphasis on how agents make mortgage recommendations to homebuyers. For more information, email John Campbell at [jcampbell@campbellsurveys.com](mailto:jcampbell@campbellsurveys.com) or call 202-363-2069. ♦