



What the Mortgage Market Reads



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Reliability of a Lender's Preapproval a Key Factor in Mortgage Recommendations From Real Estate Agents

If preapproval letters from certain lenders are routinely unreliable, real estate agents tend to suggest that homebuyers apply for a mortgage with a different lender, according to new research by Campbell Surveys, based on a national survey sponsored by Inside Mortgage Finance Publications.

"Agents are sometimes skeptical of mortgage providers selected without their consultation," said Tom Popik, research director of Campbell Surveys.

Before working with a potential homebuyer, real estate agents largely prefer that the homebuyer have a preapproval letter from a lender. Popik said that 13 percent of the time, real estate agents require homebuyers to file a loan application with an alternate lender preferred by the agent.

Issues that prompt real estate agents to require a "double application" include incomplete preapproval letters and invalid preapproval letters.

"I don't want to work with someone that gives me a preapproval letter and then the deal falls apart because it is just a piece of paper," said one real estate agent who participated in the survey. "It makes me look bad to my sellers and to other agents."

Real estate agents are particularly concerned about lenders that "over qualify" homebuyers with a preapproval in an effort to gain business.

One agent said an unidentified lender offers preapproval letters to "anyone who walks in." However, when the homebuyer is ready to purchase, the lender determines that the homebuyer isn't qualified for any loan. "If a person comes to me with one of their preapproval letters, I suggest they go to another lender," the agent said.

Some 61 percent of the real estate agents who participated in the survey said they don't require potential homebuyers to file a double application. However, many of the agents said they make suggestions regarding lenders.

"I don't 'require' anything," one agent said. "I simply inform the homebuyer of the decreased likelihood of their offer even being seriously considered. This is not to say I force them to use my preferred lenders, I only

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suggest it because it is the way to get things done.”

Poor interactions with particular loan officers can also prompt real estate agents to suggest that homebuyers apply with a different lender.

Real estate agents said they prefer local lenders to big banks. Many big banks were seen as having unreliable preapproval letters or slow closing times. “I won’t close with banks that I know hand out preapprovals after a quick credit pull and conversation unless the client insists,” said one agent.

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.

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 or call 202-363-2069. ♦