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Jumbo Borrowers Often Use Their Primary Bank

Jumbo borrowers in the market for mortgage financing often decide to work with the bank they already have a relationship with, according to new qualitative survey results from the *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

Real estate agents participating in the survey were asked what factors drive an affluent homebuyer's lender selection when opting for mortgage financing instead of an all-cash home purchase.

"I've found they like to stick with their primary bank," said an agent in Florida. "They tend to have a relationship with someone at the bank already and that makes them feel more comfortable and feel like they are going to get better service and interest rates."

Jumbo borrowers obtaining financing from their primary bank can benefit from offers for reduced closing costs and a streamlined documentation process, among other perks. "They feel it's nice to have the bank already know their information and not a third party," said an agent in New Jersey.

Tom Popik, research director of Campbell Surveys, said primary bank financing is important for affluent buyers and that lender recommendations from real-estate agents don't have much of an effect on jumbo borrowers.

However, some jumbo borrowers are willing to shop, particularly when competing lenders offer lower interest rates or more attractive loan products. Jumbo borrowers also look to mortgage brokers for competitive interest rates.

While big banks dominate the jumbo market, some agents have found the lenders difficult to work with and try to persuade affluent borrowers to get a mortgage from a smaller, local lender. "The larger institutions tend to make the process much more challenging both for my clients and for me, so most of my recommendations are geared towards smaller, local lenders or mid-size lenders when a more specific product is needed," said a real estate agent in North Carolina.

And nonbanks are able to close a greater number of their applications received for jumbos than banks, according to new research from the Stratmor Group. In 2013, the jumbo pull-through rate for nonbanks was 78.9 percent, while the jumbo pull-through rate for banks was 60.0 percent, according to Stratmor.

Analysts at the firm suggested that the stronger pull-through rate for nonbanks was due in part to the greater product selection these lenders offer as a result of working with a number of different investors. Loan officers at banks typically can only offer the bank's in-house products.

Closing Times

Closing times on jumbo mortgages have increased in recent months, according to *HousingPulse*. The total average closing time for jumbos was 45.6 days in June, based on a three-month moving average, up from 42.1 days in March.

"We had a buyer lose their earnest money on one of my listings this year, simply because their lender neglected to do anything with the loan until the week of closing, including ordering the appraisal," said an agent in Georgia.

The recent lengthening of closing times for jumbos appear to be related to increased homebuying activity. However, the share of jumbos that closed on time has actually increased from a 72.9 percent in March to 77.1 percent in June. ►