

Retail Online Still Thrives

As more and more lenders shed the wholesale channel in favor of retail, **online retail** volume may continue to **benefit** going forward.

Despite the overall volume downturn, the online retail channel remains a winner. Specifically, originations here went up 26% in the third quarter of 2007 as compared to one year prior.

Why? One reason might be that a lot of lenders are closing down their wholesale divisions in favor of retail. There's a lot of regulatory pressure being placed on lenders and dealing with correspondents can open the lender up to increased risk. Lenders are looking to more closely control their pipelines to avoid getting their name plastered in the papers associated with predatory practices or fraudsters.

The most recent example of this trend is Morgan Stanley shutting down Saxon Capital's third-party production offices. Saxon was a subprime lender that depended on broker-originated product. Saxon's serving end will remain open. Morgan will also close its U.K.-based subprime division, Advantage Home Loans.

Along the same lines our sister publication National Mortgage News reported that fellow Wall Street-owned lenders are following suite. Merrill Lynch's First Franklin Financial Corp. has cut back, Lehman Brothers' Aurora Lending Services isn't funding.

But as lenders scale back wholesale in favor of retail they have to think about cutting costs as well. Retail loans are more costly to originate for sure. As a result, a lot of lenders will turn to online retail as a cheaper alternative to retail lending.

"There's a fine balance when you talk retail, wholesale and direct lending," noted Steve Daniels, the senior vice president

and the director of national ELOC (equity line of credit) operations at Wachovia Mortgage Corp. "Online technologies like chat, co-browsing, etc. have matured. These technologies will make the sites better and ease the transition. It's not as good as sitting down with a broker, but it'll move you down that path.

"There are also things that can be done upfront in the lending cycle that can take you step-by-step toward e-mortgages. The e-mortgage can be daunting in terms

of its size and complexity, but you can get ready now. You can do things where there are quick wins to be had now."

Wachovia's online retail numbers soared by 93% between Q3 07 and Q3 06. Certainly the lender practices what it preaches and is close to breaking the top 10 in terms of overall retail online lenders. For over a year now Quicken Loans has held the No. 1 spot, but saw its online retail originations dip by 5% over the same time period. **MT**

TOP RETAIL ONLINE ORIGINATORS IN Q3 2007

(DOLLARS IN MILLIONS)

RANK	ORGANIZATION NAME	LOCATION	ONLINE RETAIL ORIG VOL		%
			Q3 07	Q3 06	
1	Quicken Loans, Inc.	Livonia, MI	\$3,580	\$3,754	-5%
2	Bank of America	Charlotte, NC	\$2,707	\$1,653	64%
3	Chase Home Finance	Iselin, NJ	\$2,401	\$1,400	72%
4	CitiMortgage, Inc.	O'Fallon, MO	\$912	\$393	132%
5	SunTrust Mortgage, Inc.	Richmond, VA	\$638	\$787	-19%
6	IndyMac Bancorp, Inc.	Pasadena, CA	\$538	\$490	10%
7	First Horizon Home Loans	Irving, TX	\$474	\$434	9%
8	Banco Popular/E-Loan	Pleasanton, CA	\$420	\$450	-7%
9	Navy FCU	Merrifield, VA	\$412	\$513	-20%
10	PHH Mortgage	Mt. Laurel, NJ	\$276	na	na
11	Wachovia	Charlotte, NC	\$258	\$134	93%
12	Delta Funding Corp. (BC) (BK)	Woodbury, NY	\$200	\$128	56%
13	MortgageIT	New York, NY	\$159	\$338	-53%
14	ING Bank, FSB	Wilmington, DE	\$133	na	na
15	RMC Vanguard Mortgage	Houston, TX	\$130	na	na
Top 15 Totals:			\$13,238	\$10,474	26%
Totals Submitted:			\$13,758	\$10,904	26%

NOTES: QDR defines an online origination as any new loan where the consumer applied or pre-applied online. Some firms include their tele-sales numbers in with their online volume. Others would not provide this data point. (BC) company is heavily involved in subprime lending. (BK) Company has filed for bankruptcy protection.

Source: Mortgage Technology/Quarterly Data Report.
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