

Online Lending Sees Declines

Online lending volume in Q1 of this year dipped, but was more steady when compared to overall originations.

Online lending originations in the first quarter of this year dropped by 11% overall as compared to one year prior. Online originations done by the top 15 lenders fell by 9% during the same time period.

"Generally the proportion of origination that is Internet is driven by the business mix of the top 20 lenders," said researcher Jeff Lebowitz, principal at MORTECH LLC. "These few giants account for about 60% of Internet production.

"For 2007, we estimated that Internet production grew almost 60% from 2006. We explain the large jump by taking into account the increase in the volume of unconventional loans with relaxed documentation requirements, the amount of volume though wholesale in the first half of the year, and the growing dominance of the top 20 lenders.

"Wholesale Web functionality is more mature and deeper than is retail," noted Mr. Lebowitz. "Also, simplified documentation eases online transactions. And, the very largest of lenders more likely are funneling volumes through their wholesale websites.

"All this has changed in 2008. Factors are working to reverse the growth in Internet origination in 2008," he concluded.

While this may seem like bad news, online lending is doing well as compared to originations overall. In the first quarter of 2008 total originations came in at \$525 billion, a 30% decrease from one year prior. In terms of over-

all originations, 2008 may be the worst year since 2001 when total volume was \$2 trillion.

So, the fact that online originations only fell by 11% is actually encouraging. This channel is outperforming the industry as a whole and will likely see further decreases throughout the year, but they'll be modest compared to overall origination declines.

Further, the Electronic Signature and Records Association reported that e-mortgages have gone up six-fold in the last year alone. In a six-month time period, e-note registrations rose from approximately 500 in December 2007 to 16,755 in May 2008. In total, 77% of mortgage lenders indicated they will implement electronic signatures. **MT**

TOP ONLINE ORIGINATORS IN Q1 2008

(DOLLARS IN MILLIONS)

RANK	ORGANIZATION NAME	LOCATION	ONLINE RETAIL ORIG VOL		%
			Q1 08	Q1 07	
1	Chase	Iselin, NJ	\$20,182	\$15,414	31%
2	CitiMortgage, Inc.	O'Fallon, MO	\$17,822	\$18,777	-5%
3	Amtrust Bank	Cleveland, OH	\$6,338	\$5,635	12%
4	Provident Funding Associates	Burlingame, CA	\$4,806	\$5,702	-16%
5	Quicken Loans, Inc.	Livonia, MI	\$4,190	\$5,495	-24%
6	Bank of America	Charlotte, NC	\$2,870	\$4,498	-36%
7	Taylor, Bean & Whitaker	Ocala, FL	\$1,816	\$6,347	-71%
8	Branch Banking & Trust Co.	Wilson, NC	\$1,153	\$272	324%
9	Wachovia Mortgage, FSB	Charlotte, NC	\$947	\$389	143%
10	Navy FCU	Merrifield, VA	\$765	\$337	127%
11	ING Bank, FSB	Wilmington, DE	\$764	\$684	12%
12	First Horizon Home Loans	Irving, TX	\$520	\$516	1%
13	PHH Mortgage	Mt. Laurel, NJ	\$507	na	na
14	Banco Popular/E-Loan	Pleasanton, CA	\$396	\$808	-51%
15	SunTrust Mortgage, Inc.	Richmond, VA	\$371	\$4,899	-92%
Top 15 Totals:			\$63,446	\$69,773	-9%
Totals Submitted:			\$64,457	\$72,704	-11%

NOTES: QDR defines an online origination as any new loan where the consumer applied or pre-applied online. Some firms include their telesales numbers in with their online volume which will cause distortions in these results. Countrywide and Wells Fargo no longer disclose this figure.

Source: MT/Quarterly Data Report.
Questions? Email: Paul.Muolo@SourceMedia.com.