

The Online Mortgage Opportunity: Using the Internet to Grow Your Lending Business

Despite mortgage-market upheavals, community banks are implementing online mortgage-origination technology to boost productivity and grow their businesses.

By Dan Welbaum

A decade ago, most community banks couldn't imagine the Internet as a viable mortgage business channel. But things have changed. According to a new study conducted by Deloitte Consulting, most of today's borrowers believe that applying for mortgages via the Internet is faster and more convenient than traditional methods. And they're acting on that belief: The Deloitte study revealed that now more than 70 percent of all mortgage shoppers start their search on the Internet.



Despite an unsettled mortgage marketplace, the Internet has emerged as the fastest-growing mortgage channel. So how can

today's customer-focused community banks take advantage of this exceptional opportunity to grow their mortgage businesses? Wise businesspeople know how vital it is to meet customers where they are; just think about the detailed demographic studies you've conducted to determine the best locations for your branches.

That's why it's vital for community-bank lenders to wholeheartedly embrace the online channel. Even in America's most rural communities, borrowers of all ages and demographic profiles are using the Internet as their primary mortgage-shopping channel.

"The very first customer of our online mortgage-application system was 75 years old," said Naomi Kim, assistant vice president and manager of mortgage banking technology at



American Savings Bank in Honolulu, a \$6.8 billion-asset institution with 82 offices. "That sort of negated our theory that our online mortgage system would be used primarily by younger, more 'Web-savvy' borrowers. In fact, our mortgage Web site is used by borrowers of every age."

"We're located in rural Phelps County, Missouri," said Dave McKee, vice president of retail lending at Phelps County Bank, a four-branch, \$212-million asset community bank headquartered in Rolla, Mo. "On our

county's deed of trust report, we saw that about one-third of the mortgages booked each month were going to online lenders based outside our community. We realized that without an online presence, we were missing the boat—we would never have a chance to compete for that business."

Sharpening the Competitive Edge
That was one of the concerns facing First Place Bank of Warren, Ohio—a \$3 billion-asset, 46-branch savings institution with 19

loan-production offices in Ohio, Michigan, Indiana and North Carolina. Through its locally focused staff of more than 80 residential mortgage originators, the bank generates an annual residential mortgage volume in excess of \$1 billion.

First Place Bank is the largest publicly traded thrift headquartered in Ohio and a long-time mortgage-lending leader in its region. But several years ago, bank management recognized that despite their success, something was missing: the online mortgage channel.

In 2005, management saw that many mortgage competitors served their market, including several national lenders—and those competitors were getting a lot of business through the online channel. Management realized that it was vital for them to offer customers the ability to apply for a mortgage online.

The bank also needed an easy-to-use, point-of-sale tool that could empower its loan originators to quickly complete and approve mortgage applications at the point of sale. Also, by enabling borrowers to start applications on the Internet and complete them in the branch, the POS tool could serve as an alternative to the time-consuming, face-to-face interview process.

After reviewing several alternatives, management decided to implement an innovative, interactive, easy-to-use online POS solution from Mortgagebot that was able to automate all of the bank's origination channels: Web, branch, and loan officer. Management believed that providing an attractive, easy-to-use application tool for online mortgage shoppers would generate more mortgage leads and help close more mortgage loans—and do it faster and more affordably than conventional methods.

As it turns out, they were right.

Outstanding Payoff From the Online Channel

The bank initially deployed its new Internet-based mortgage-application system not only to its online borrowers, but also to its in-house mortgage originators. Each originator was given a personalized Web site that included online application functionality.

“Online applications have helped our loan

originators expand their marketing campaigns and gain new leads from outside their normal geographic footprint,” said Bruce Wenmoth, First Place Bank's executive vice president of lending.

According to Wenmoth, the online solution has improved customer service. Borrowers can apply for mortgage loans around the clock, from anywhere they have Internet access; plus, they can complete an application in less than 20 minutes—all of which means more leads for bank originators. And now that call-in borrowers can complete applications via the Web, they can be directed to the Internet to apply immediately—which helps eliminate the need for every mortgage applicant to personally meet with a loan officer.

In addition, the First Place team of professional loan officers now uses its own version of the online solution to perform all lending functions related to the “point of application,” such as selecting products, determining pricing, retrieving credit, decisioning loans, and even providing disclosures.

Closing More Loans

According to Wenmoth, the online mortgage solution has more than proven its worth. First, it has made bank staff more productive. Today, more than 100 associates (compared to about 60 employees in 2005) can take mortgage applications. And the system's intelligent, easy-to-use functionality enables associates to complete applications in about 35 minutes—22 percent faster than before.

Second, the online solution has helped First Place increase its application volume. For example, in the first 18 months after implementation, the bank received nearly 1,400 additional mortgage applications through the online channel—with no additional marketing effort or expense.

Third, the online solution has helped First Place grow its mortgage business. From May 2006 to November 2007, the bank closed nearly 250 additional mortgage loans from new online customers, and as previously noted, the new business was gained with no added marketing effort or cost.

Despite today's turbulent mortgage market-

place, Wenmoth is confident that the online mortgage-application solution will take First Place Bank where it needs to go. “We believe the market will continue to contract, which will squeeze profit margins,” he noted. “To combat this, we constantly look for more efficient ways to lend. Our online mortgage system gives us the scalable, state-of-the-art technology platform we need to support our growth.”

The time for online mortgage applications is now. In the wake of the subprime mortgage meltdown, brokers are exiting the market, which leaves trusted, local community banks as the leading alternative for today's mortgage shopper. With application volume still strong—and with more than \$200 billion in adjustable-rate mortgages being adjusted this year alone—lenders need to ask themselves: How well positioned are we to take advantage of this unique business opportunity?

The Deloitte study stated that Web-based, mortgage-origination technology provides “a critical opportunity to gain market share.” The study also explained that the effective use of online application technology can “reduce origination costs by up to 80 percent compared to traditional application methods.”

The authors of the Deloitte study conclude that a “significant opportunity” exists for lenders who can successfully implement an effective, efficient, and easy-to-use online mortgage solution—lenders such as First Place Bank. How ready are you to seize the online mortgage opportunity? **S**

Dan Welbaum is chief marketing officer of Mortgagebot® LLC, the award-winning company that leads the industry in providing consumer-direct, Internet-based, mortgage-origination solutions.

Mortgagebot has combined its mortgage expertise with leading-edge “software-as-a-service” (SaaS) technology to create Mortgagebot PowerSite®: a robust, scalable and affordable solution set that serves nearly 800 lenders nationwide—including almost half of America's top 100 savings institutions. To learn more, visit www.Mortgagebot.com. E-mail: dan.welbaum@mortgagebot.com