

The Borrowers Are Coming Back

Use ABA's members-only tools to compete in today's mortgage markets.

By Deborah Whiteside

The bad news is that the mortgage markets are in greater disarray now than at any other time in recent history: soaring delinquencies, falling property values, and a nonfunctioning secondary market for jumbo loans. The good news—and yes, there is some good news—is that community bankers are now the mortgage lenders of choice for both consumers and investors. As corny as it sounds, the challenges facing the mortgage industry are also a source of great opportunity for community bankers.



Community bankers have always been a significant source of mortgage funding for homebuyers. Community bankers know their

markets and have a reputation for making well-underwritten, low-risk loans—loans that don't result in delinquencies and foreclosure, loans that borrowers can be sure they can pay back. In the past few years, as the market moved to riskier products and looser underwriting standards, borrowers often sought other sources of mortgage funding. As rationality returns to the mortgage markets, community bankers are there to help pick up the pieces.

My staff and I talk to bankers on a daily basis, and the main theme I hear is that the borrowers are coming back. Borrowers want to trust the institution that lends them their mortgage funds, and they trust community bankers. Most bankers I talk to tell me that their volumes are up, particularly refinance volumes, first-time homebuyers are coming back into the market now that prices have dropped, and FHA loans are a great way to meet the mortgage demand they are facing.

The demand is building and community bankers are lending mortgage money. The next question is, what to do with those loans? Many community bankers keep their loans in portfolio, but increasingly community bankers are active in the secondary mortgage markets. For banks that sell into the secondary markets, this is the ideal time to capitalize on your counterparty risk profile and the excellent quality of the loans that you sell. And ABA has an easy way for you to collectively, with other community bankers,

mortgage finance arena: Community Bank Mortgage LLC (www.cbmortgagellc.com). Launched more than a year ago, Community Bank Mortgage LLC is a joint venture between ABA and those member banks that choose to become owners. Currently there are 40 banks that co-own the LLC with ABA. LLC owner banks are compensated monthly based on the aggregate volume that all owners sell through LLC programs. The more the owners sell, the greater the benefit is to all the banks in the LLC. In addition, owners are eligible for

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leverage the quality of your institution and your book of business.

All ABA members have access—free of charge—to ABA's Mortgage Solutions partnerships (www.aba.com/BusinessSolutions/MortgageSolutions.htm). On average these programs can save bankers up to \$500 per loan to originate and sell. We have partnerships with key secondary market players for both released and retained sales. These partnerships, negotiated by and for bankers, contain price benefits that bankers may not be able to negotiate individually. Those bankers originating FHA loans typically do not want to retain the servicing. We have two partners in the servicing released sales space that offer aggressive pricing to ABA's member banks.

ABA also has another initiative in the

a profit payout based on their pro rata share of total volume. Because LLC ownership requires the one-time payment of a buy-in fee, this ABA offering makes most sense for banks that deliver regularly into the secondary markets.

Both ABA Mortgage Solutions and Community Bank Mortgage LLC help community bankers participate in the secondary mortgage markets under preferred terms, recognize the quality of mortgages originated by community bankers, and are available exclusively to ABA members. **5**

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