

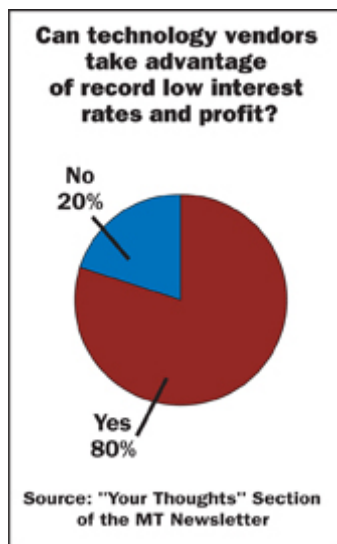
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Vendors Profit From Low Rates

By Anthony Garritano, Editor, Mortgage Technology Magazine

For the first time ever, the 30-year fixed-rate mortgage averaged under 5%, and stood at 4.96% last week, according to Freddie Mac here. This week the rate inched up to a tad over 5%, but it's still very low. The rate decrease has some optimistic about overall industry recovery starting in late 2009.

And 80% of five respondents agree that low rates can lead to more revenue for vendors and lenders alike. "Having the rate below 5% is good for the economy," answered Chetan Patel, executive vice president, knowledge process outsourcing services at ISGN. "The economy needs to be stimulated to get the housing market going again. I was at GMAC and they expect their volume to double.



"However, I also feel this is just a short-term fix. I see this little refi boom lasting for the next 16 to 18 months. There is some speculation in the industry that the rate may even get to below 4%. I have my reservations about that. Even if we do go below 4, it'll still just be a short-term fix."

However, any fix is a welcome fix. "It's a wonderful thing," added Heidi Frigano, chief sales officer at retail lender Lend America. "The government has stepped in because they realize they have to help people out who are having trouble with their adjustables. This is great for the economy."

Nonetheless, the refinances that result won't be at the pace of 2003, she predicted. "There's more responsible lending now, so we won't see the numbers of 03.

However, we certainly will see a lot of people looking to refinance. We'll also see an increase in purchases. Borrowers are becoming more educated about their options. Our calls have increased by 15% to 20%. There are a lot of people out there that need to act, so this may be more long term fix than others think."

Regardless, vendors are profiting. Software as a Service is all the rage and requires that lenders pay per transaction. The more transactions, the more money lenders fund and the more fees vendors collect. For example, Mortgagebot PowerSite is an outsourced, SaaS solution set that is deployed via the Internet. It's an integrated, private-labeled, point-of-sale (POS) platform that Mortgagebot operates and maintains for its clients. From its offices in southeastern Wisconsin, Mortgagebot



manages more than 5000 websites for its 800 clients — and Mortgagebot closely monitors the application volume that flows through those websites.

“I’m pleased to report that our revenue for 2008 was up 17% over 2007,” said Scott Happ, president and CEO of Mortgagebot. “At this point it looks as though our total revenue for the year will end up at more than \$28 million. Mortgagebot has benefited from several industry trends including consumer preference of the online mortgage channel and the market shift toward trusted, local lenders—not to mention the increase in mortgage applications as interest rates decline. And as rates keep falling, it’s truly a ‘win-win’ situation for our clients and for us.”

While this news may be good in the short term, it’s really market stabilization that will get vendors back in the game. “Rates will certainly spur a lot of interest,” agreed Michael Hammond, president at consulting firm NexLevel Advisors. “Whether this will be the catalyst to

spark a lot of refi activity like in 03, I question that. Home prices have to stabilize first. They have to stop declining. How do you do that? You have to stop the foreclosures. Once we know what those homes are really worth, we’ll see interest. I don’t think rates alone are the answer.

“Technology can be a useful tool in identify at-risk borrowers before they default,” he concluded. “If you can stabilize home prices and use technology to better judge who will go into default so you can work with that borrower to avoid foreclosure, the rate cuts will then have a significant impact. There are a lot of efforts in the works to get those three elements in place, but the verdict is still out.”