

From the Editor

Let me be frank, in this issue of *SMM* it is not I but Frank Nothaft who will be Frank.

Nothaft is Freddie Mac's deputy chief economist who goes by his given name of Frank, a remarkably thoughtful choice on the part of Nothaft's parents now that, 41 years later, their eldest son is making his debut as an *SMM* columnist. It now falls to him to dissect and critique recent, outside research that is important to the housing-finance arena. With a name like his and a job like that, no wonder he is writing under the banner of "Let Me Be Frank." (Attention Frank's Mom: See page 8.)

Nothaft's column is but one of two notable innovations to boot up with this issue. The other is the launch of the magazine's electronic counterpart. *SMM Online* is now available on Freddie Mac's World Wide Web site (see page 22 for more details).

But back to Let Me Be Frank. Nothaft's assignment is to take a no-holds-barred look at the merits of the research under review. Nothaft, one of the original "nice guys," is not one to deliver scathing criticisms. Better to expect a fair but frank assessment.

So now let's all just sit back and let Frank be frank.

H. Jane Lehman
Editor

Borrowers Seek Familiar When Choosing Lenders

Familiarity, it seems, can breed contentment when financing a home.

Nearly half (47 percent) of those responding to a recent survey rated a prior or existing relationship with a lending firm as a very important factor in choosing a lender.

Close to one-third (31 percent) also reported that referrals by family or friends are likely to influence lender choice. Recognition of a mortgage lender's name likewise plays an important role in the decision-making of 27 percent of respondents.

These are among the findings highlighted in *Americans Talk About Home Mortgage Providers*, a study commissioned by Citicorp Mortgage, Inc. (*Exhibit 1*).

The survey results point to interest rates as a key variable for the majority of borrowers during the home-purchase process; 80 percent of respondents rated the interest rate offered by a lender as a primary shopping consideration. However, the emphasis that many placed on feeling familiar with their lending company suggests that quantitative and qualitative elements are not mutually exclusive to the homebuying process.

Women are more likely than men to value familiarity. The majority of women rated an existing lender relationship as very important compared to 41 percent of men. More women—35

percent versus 26 percent of men—considered a personal referral influential, while 31 percent of women responded favorably to brand-name recognition.

That borrowers prefer personal attention to treatment as nameless, faceless applicants is reinforced by the large share of survey participants (84 percent) who said they prefer to apply for a mortgage during a personal meeting with a lender. Only 6 percent expressed interest in applying via telephone; just 3 percent said they would like to fill out loan paperwork via the Internet.

Applying for a mortgage through an electronic medium, however, could ease common frustrations reported by the survey participants. Technology's strongest selling points are that it can reduce the amount of application paperwork and the length of loan approval time. Interestingly, stacks of application materials and long approval periods head the respondents' list of complaints about the mortgage-loan process, at 22 percent and 21 percent, respectively.

EXHIBIT 1: Familiarity Features Influencing Lender Choice

	Previous/Existing Relationship	Referral Family/Friend	Lender Name Recognition
Total	47%	31%	27%
Gender			
Women	52	35	31
Men	41	26	24
Age			
25-34	46	39	28
35-44	45	29	24
45-54	51	26	28
Income			
<\$15K	40	31	31
\$25-34K	52	33	29
>\$50K	47	27	23

Source: Citicorp Mortgage, Inc.