

Mortgage Lenders Tighten Safety Belts

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Direct mail shows move away from adjustable-rate mortgages, towards steadier loan options

Chicago (September 5, 2007)â€” Driven to act by the recent collapse in subprime lending and the subsequent housing crisis, major mortgage companies have shifted their loan offer strategies to limit future risk opportunities. From June 2006 to July 2007, Mintel Comperemedia observed a 70% decline in the number of unpredictable adjustable-rate mortgages promoted through direct mail. More reliable fixed rate offers grew 6% during the same period.

This marks a complete reverse in the industry as fixed rate offers comprised just 31% of all mortgage direct mail from January 2005 through June 2006. Since that time, however, fixed rate offers have taken the lead, accounting for 73% of mail activity during the second quarter of 2007.

Lisa Hronek, senior financial analyst for Mintel Comperemedia, explains: â€œThe subprime fallout created a ripple effect, scaring lenders away from risky adjustable-rate mortgages. We now see them flocking to safer, more dependable options. A fixed rate mortgage offers the peace of mind of set monthly payments, which lessens the risk of default for both the lender and the borrower.â€•

Moreover, lending companies have realigned their direct mail focus, placing more emphasis on mortgage refinancing offers than on mortgage promotions designed to attract new borrowers. The first half of 2007 marked the first six-month period since the start of the millennium that Mintel Comperemedia tracked more refinancing mail campaigns than not. With 56% of mail sent offering refinancing thus far in 2007, lenders appear to be working more to help out current mortgage holders than to lure in new ones.

Lisa Hronek is optimistic about lendersâ€™ actions: â€œThis shift towards secure, lower risk loans will pay off in the end. It may take time before the market stabilizes, but the push of fixed rate options should increase safety and predictability, leading to a more dependable mortgage market.â€•