

Competition Shows Signs of Comeback in Jumbo Segment

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By [Kate Berry](#)

The high-end mortgage market, which got swept up in last summer's credit crunch, is showing signs of bouncing back, according to industry insiders, who say that bankers willing to hold jumbo loans in their portfolios are once again competing for market share.

Seeing a significant cross-selling opportunity for customers buying high-end homes, a handful of large banking companies are moving aggressively into the jumbo market, which for the last few months has been the province of regional players.

Paul Decoff, an executive vice president at the Santa Fe, N.M., jumbo lender Thornburg Mortgage Inc., said in an interview Wednesday that competition is returning to the market on the retail side.

"Our pipeline is back to what it was in April and May, so we're well on the rebound to solidifying our position," Mr. DeCoff said. "Now we're seeing competition against our correspondent channel on a retail basis, and it's likely because rates have come down."

Ronald E. Hermance Jr., the chairman, president, and chief executive of Hudson City Bancorp Inc. in Paramus, N.J., said that rates on 30-year, fixed-rate jumbo loans are now 6.25% — though Hudson City never raised its rates above 6.5%, even during last summer's credit crunch.

Lenders had been charging an average of 7.34% for prime 30-year, fixed-rate loans in August, according to a survey by HSH Associates Financial Publishers, versus about 7.1% in July and 6.5% in mid-May.

"We're expecting more people to refinance out of the more exotic loan types into more stable products, as long as they meet the credit standards," Mr. Hermance said.

"Some lenders have been aggressive pricewise" with their jumbo adjustable-rate mortgages, said Bob Moulton, the CEO of Americana Mortgage Group Inc., a

Manhasset, N.Y., brokerage. He quoted 30-year, fixed-rate mortgages near a two-year low, of 6.38%.

But Jeffrey Guarino, the managing director of Gotham Capital Mortgage Corp., a New York brokerage, said that despite a decrease in rates, the market generally is showing just halting signs of a recovery. However, he agreed that some regional savings banks have an opportunity to fill the void left when larger lenders raised rates last year.

"Even though rates are very low right now, the bigger problem that we're seeing is the banks aren't lending with enough different programs to get homebuyers back into the game," Mr. Guarino said. "If there were more products out there, you'd see more buyers."

One beneficiary is Union Bank of California. Craig Cole, its division manager for residential lending, said the bank has experienced dramatic growth in jumbo applications. "The market has kind of come to us."

Last month Union Bank, which is mostly owned by Mitsubishi UFJ Financial Group Inc., introduced a two-step product that has helped drive an increase in jumbo applications, he said. The 40-year loan, which has a fixed rate for its first 15 years and a one-time adjustment to the market rate for the remaining term, is available for up to \$5 million.

Tom Kelly, a spokesman at JPMorgan Chase & Co., said jumbo originations have increased despite higher underwriting standards, largely because "we have a much smaller universe of lenders to deal with."

Because JPMorgan Chase is able to keep its own loans in its portfolio, it has "a chance to gain market share," Mr. Kelly said.

The jumbo market ground to a halt in August when Wells Fargo & Co. — the No. 1 originator of prime jumbo loans, with an 18.5% market share — raised rates on loans originated by third parties, though it made no changes to its retail rates.

"Pricing for consumers who deal with us directly may be more favorable than pricing for consumers who come to us through brokers and correspondents," Kevin Waetke, a Wells Fargo spokesman, said Wednesday.

Mr. Decoff expects large banking companies to move aggressively into jumbo lending through their retail channels in an effort to gain market share and cross-sell private banking products. Thornburg is exploring ways to increase its retail operations, largely by partnering with top correspondents and brokers, he said. "Banks have learned that full-documentation prime borrowers with low-loan-to-value loans don't have a lot of delinquencies. So it would be a market share play for the banks."

George L. Engelke Jr., the chairman and CEO of Astoria Federal Savings Bank in Lake Success, N.Y., said it recently lowered the loan-to-value ratio that it offers on hybrid ARMs it keeps in its portfolio to 65% to 80%, depending on loan size.

"We've increased our lending standards to a higher level, because we want some downside protection," Mr. Engelke said. "We don't know exactly where the market is going to go."

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