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## Conn. Mortgage Brokers Seek Wholesale Changes

By Jeff Haynes

CONNECTICUT'S MORTGAGE BROKERS are searching for safety in numbers.

As more lenders exit the wholesale business, brokers have been prompted to find new sources of loans — all with an eye on who might be closing the wholesale window next. Bridgeport-based People's United Bank closed its wholesale and correspondent lending operations this week, following a similar decision by Waterbury-based Webster Bank in January.

In addition to the state's largest two locally based banks, Washington Mutual is getting out of the wholesale business, as are second



Penn Johnson

mortgage lenders Citibank Home Equity and National City Home Equity, according to Penn Johnson, president of Stamford Mortgage Co.

"So there are fewer lenders [doing wholesale] now, but there are still plenty [who are]," Johnson said. "There was nothing so unique about People's or Webster or Washington Mutual that their going away interrupts my ability to service my clients. But the overall trend is somewhat disturbing, as you see a greater number of lenders exiting wholesale. How much is it going to continue?"

Johnson said he saw the pattern developing, and planned ac-

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## Mortgage Brokers Seek Changes

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cordingly. "We have added a few new lenders this year, because of the trend coming," he noted. "We wanted to make sure that we had a good depth of lenders."

Even with the growing number of lenders leaving the wholesale business, the move by the locally based banks caught some people off guard.

"There's a piece of me that was surprised to see Webster and then People's [exit]," said Peter Spalthoff, executive director of the Connecticut Society of Mortgage Brokers. "A lot of brokers did rely [on them]."

Some members of the CSMB, particularly in lower Fairfield County, likely did between 70 percent and 80 percent of their business through People's United Bank, he added. Also, like Johnson, Spalthoff stressed the need for brokers to work with a variety of lenders.

"Any broker who's been in the business for a year or two should have a minimum of six to 10 lenders that they can turn to," Spalthoff said. "If you just relied on Webster, or you just relied on People's, you're going to be hurting for a while."

### 'Plenty of Money'

For Johnson, the process of finding new sources of loans means finding lenders who work with their own money — not money from the secondary market.

"Our primary lenders have a history of lending portfolio money, and are able to continue lending," Johnson said. "They're not subject to the secondary market's credit crunch. We're comfortable that we have a

few good portfolio savings banks with plenty of money to lend."

"A lot of lenders sell loans on the secondary market to Wall Street," Johnson said. "And the credit markets have frozen up long beyond the subprime securities."

"If [lenders] were selling in the secondary market and they're finding less appetite, and it's [become] more tedious, they might say,

"It's just not worth it," Johnson said. Without the money from the secondary market to fund loans, the volume of loans will fall — which could be why some lenders are exiting the wholesale lending business, he said.

For Webster Bank, the exit from wholesale lending meant cutting out the overwhelming portion of its lending business. At the time of the decision, the bank's total volume of lending was reported at \$500 million on the retail side, and about \$3 bil-

lion on the wholesale and correspondent side.

Spalthoff agreed that exiting the wholesale business will translate into a "striking" drop in loan volumes for the banks.

"You cannot put enough loan officers on to compensate for the losses that you're going to take from the broker not bringing you his or her business," Spalthoff noted.

He said that's part of the reason he suspects the current trend will reverse itself within two years.

"There's no doubt in my mind that before December 2009, these banks are going to get back into the business because they can't do it as well as the brokers have been doing it," Spalthoff said. "If they could've, we wouldn't have been doing 70 percent of the loans." ■

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PETER SPALTHOFF