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Are online-only banks the future of mortgage lending?

Mar 19, 2013

[Michele Lerner](#) HSH.com[Add to my list](#)[Print](#)[E-mail](#)[Share](#)

During the fourth quarter of 2012, [Quicken Loans](#) surpassed Bank of America to become the third-largest mortgage lender in the U.S., with five percent market share, according to Mortgage Daily, an online mortgage news publication in Dallas which provides mortgage lender rankings. Wells Fargo remained the largest lender with 23 percent market share, followed by [Chase](#) with 10 percent market share. Bank of America dropped to four percent market share in the final quarter of 2012.

Quicken Loans, the largest online-only lender in the country, has steadily increased their mortgage market presence from 21st in 2005, up to eighth in 2011, according to Sam Garcia, founder and publisher of Mortgage Daily.

Refinance at 2.52%

Loan Type: State:

	2.52% APR	GO
	3.10% APR	GO
	2.71% APR	GO

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"In the last two years they've really hit the radar because they've been aggressively growing their staff and their loan originations," says Garcia. "They were way ahead of the pack in doing everything online or by phone and getting the technology in place to handle documents digitally."

Jay Farner, president and chief marketing officer of Quicken Loans in Detroit, says the company's \$70 billion retail [home loan](#) volume in 2012 beat the company record of \$30 billion in 2011.

Garcia says the company recently began servicing their own loans rather than selling them and is buying closed loans from other lenders to service them, thereby increasing their overall mortgage market share.

Why Quicken Loans?

"We've created a centralized mortgage platform that gives us the flexibility to move into more markets and to make the loan process quicker," says Farner. "We closed our loans in an average of 30 days or less in 2012, when the industry average was 120 days."

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Garcia says that Quicken Loans reputation for good customer service is extremely important, especially today when the mortgage process has become so complicated.

For the past three years, Quicken Loans has ranked highest in customer satisfaction according to J.D. Power and Associates [2012 U.S. Primary Mortgage Origination Satisfaction Study](#). Its score of 817 out of 1,000 was 56 points above the industry average.

Their high marks could in part be because the company has its own [appraisal](#) and title companies which allows them to handle the entire loan process in-house, says Garcia.

The online-only experience

There are varied opinions as to whether the online-only model best serves mortgage borrowers.

"Ask any Realtor in the country and they'll tell you that they never want to work with an online lender," says Brian Martucci, a mortgage lender with GetLoans.com in Washington, D.C. "If something goes wrong with the loan it can be much harder to fix with an online lender than with someone the Realtor knows personally."

Martucci says it's important for borrowers to have a single point of contact, such as a relationship with a direct lender, in order to communicate more easily and to fix problems.

But [Quicken Loans](#) is pushing back against Realtors who say they don't want their customers to work with an online lender.

"When we ask Realtors what they want, they say they just want the loan to close," says Farner. Soon, he says, the "My QL" system -- which allows borrowers to check on their loan to see where it is in the process and to verify that required documents have been received -- will also be available to Realtors.

"We've broken up the loan process into 30 separate positions," says Farner. "At any time we can have eight different people working on the same loan, so we can reprioritize it throughout the day and get the right people working on any issues. If there's a problem, we can proactively reach out and let someone know what's going on."

Marketing their corporate culture

Martucci calls Quicken Loans "the Google of the online mortgage business." They are a high-tech company but with a reputation as a fun place to work, he says.

"They aggressively went after the staff of Yahoo when that company had lay-offs," says Garcia. Their downtown Detroit headquarters continues to recruit some of the most talented tech and marketing people in

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the country, says Garcia.

The light hearted posts on the Quicken Loans Zing blog along with sponsorships of events such as NASCAR and an aggressive advertising and marketing campaign are all part of the lender's recent success, says Garcia.

About the author:



Michele Lerner, author of "HOMEBUYING: Tough Times, First Time, Any Time", has been writing about personal finance and real estate for more than two decades for a variety of publications and websites including The Washington Post, The Motley Fool, Investopedia, Insurance.com, HSH.com, SavingsAccount.com, National Real Estate Investor magazine, The Washington Times, Urban Land magazine, NAREIT's REIT magazine and numerous Realtor associations.

Type of Loan:

Refinance Home Equity Loan/Line Debt Consolidation Home Purchase

Property type:

Single Family Multi-Family Residence Condominium Mobile Home

Credit rating: (Estimates okay)

Excellent Good Fair Poor

Property State:

District of Columbia

Go

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