



BUILDING TRUSTED PARTNERSHIPS

Insights, tips and trends to kick off
conversations with your current
and future clients





Staying well-informed is key to serving your clients as a trusted partner—as well as gaining new clients. What realities are buyers facing in the market? How can a great relationship with an agent boost your business—and your clients' confidence? How have advances in digital processing and the explosion of social media influenced the ways that people are buying homes and interacting with lenders?

This guide explores these questions and more. You'll find additional insights, information and conversation starters for your current and future clients, such as:

- › Goals and priorities of millennial homebuyers
- › The influence technology is having on the lending process
- › Top home buying trends
- › How to prepare for the unexpected, like a natural disaster or appraisal error

Ready to learn more?

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Being an Effective Partner

HOW TO WORK WITH REAL ESTATE AGENTS

The key to any mortgage loan officer's success? Partnering effectively with real estate agents. Many homebuyers turn to their real estate agent to recommend a loan officer, so working effectively with agents can help grow your business.

New officers should be spending about 60-70 percent of their time developing relationships with real estate agents. Strive to maintain referral relationships with 12 to 15 agents, with about three to five that give you all or most of their business.

› Nearly
90%
of homebuyers use
a real estate agent¹



Follow these four tips to establish great working relationships with real estate agents:

1 Follow up, follow up, follow up

When pursuing agents to work with, consistent, diligent follow up is vital. Tell the agents, “The way I’m following up to get your business is the same way I’m going to be following up with you when we work together, and the same way I will be following up with your clients.”

› **Tip:** Consider sending a weekly email with news, tips and interest rates. Invite agents to a continuing education class coming up, introduce them to your networking group or stop by their open house or broker open with information about a new loan program.

2 Get to know each agent individually through real conversations

Don’t make any assumptions that you know how to deliver what an agent needs. Ask them what’s the most important thing they’re looking for in a Loan Officer. Every Realtor is different and has a different idea of what is important or what they are looking for in a lender.

› **Tip:** Don’t assume you know what matters most to each agent. It could be accountability, accessibility, reliability, communication style or something completely different.

3 Set expectations for agents and clients

It’s important to understand how and when the agent works, and what kind of expectations they have. Loan officers should reach out to new clients as soon as possible, even if it’s just to say “hello” and schedule a time to talk. Mine those key expectations from an agent when you meet and in turn, share with the agent what to expect from the loan process.

› **Tip:** Map out the communication plan and process with your agent and everyone will know what to expect.

4 Reinforce the home buying process with gusto

Clients see the loan officer as the biggest barrier to that new home—they’re the person keeping them from buying and judging them and their credit. Be excited for them. This excitement is a valuable service to agents, reinforcing the buyer’s decision and acting as a sound second opinion, especially if buyers start getting cold feet.

› **Tip:** Tell clients they are making a great decision. Help them get fired up to buy a house.

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YOU HAVE TO BE OUT THERE MAKING THOSE SALES CALLS. YOU HAVE TO BE VISIBLE, AND YOU HAVE TO BE CONSISTENT IN YOUR EFFORTS. IT REALLY SHOULD BE A BIG PART OF YOUR BUSINESS.

— **David Schnepp**, Senior Vice President, Central Carolina Area Manager for SunTrust Mortgage



Buyer Insights: Working With Millennials

WHAT MILLENNIALS NEED AND EXPECT FROM MARKETING

Millennials have been called a lot of things—the Me Generation, the Selfie Generation, the Boomerang Generation—but they are now increasingly being called homeowners. The generation now makes up the largest percentage of active homebuyers, and a vast majority, 98 percent, rely on financing to make the purchase.²

But millennials can be a little timid about dipping their toes in the mortgage water—and with good reason. Depending on how old they are, millennials saw their family members go through the economic crisis and the mortgage crisis and may have been scared away from the process.

These first-time buyers:

- Are unsure about the buying and financing process
- Want personalized, individual support from their lenders
- Want to know if this home purchase will fit into their lifestyle
- Often have a lot of debt already (think: student loans)

➤ Those born between 1984 and 2005 will form more than **2 million new households** each year over the next 10 years.³



To market effectively to millennials, understand:

1 The impact of a risk-averse outlook

There are more than 17 million student borrowers in their 20s with a total of more than \$376 billion in debt. What's more, 12 million borrowers from age 30 to 39 have more than \$400 billion in student debt.⁴ This issue plays out two ways: Millennials want to be sure they can afford a mortgage payment on top of their student loans, but they also worry about taking on new long-term debt without fully understanding what they're getting into.

➤ **Tip:** Make sure to fully explain the terms of the loan and the mortgage process, particularly any documents they may not understand. Don't gloss over the details.

2 What millennials can really afford

Many millennials are also delaying major life events, like purchasing a car or getting married.⁵ It is partially because of their debt, but it's also because they don't see the point in rushing it. While some millennials are still driven by the emotional desire to fulfill the American Dream of homeownership, others don't want to do it at the expense of their lifestyle—for example, if they have to forsake a big travel budget. This generation wants a sound investment without being forced to stretch themselves.

➤ **Tip:** Be sure to understand millennials' current lifestyle and expenses and help them determine what they can afford. Remember, they don't want to feel too tight: Millennials do actually spend more on restaurants than other generations, for example, so affordability might mean something different for them than other generations.⁶

3 How to be authentic

Millennials prioritize experiences over material items, so they're looking for someone who can create that positive experience and be a person they genuinely enjoy knowing. Communication and control are key throughout the process. Millennials expect a lot of feedback. You can minimize surprises by setting expectations and communicating throughout the process.

➤ **Tip:** Cultivate a social media presence that is both professional and personable. Millennials may run quick background checks through platforms like Facebook and Twitter to see what kind of person their potential lender is.

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LENDERS NEED TO PROVE OUR KNOWLEDGE AND EXPERIENCE. LET THIS GENERATION KNOW WHAT TO EXPECT AND BE ENGAGED THROUGHOUT THE PROCESS. BE RELEVANT AND CUSTOMIZED WITH WHAT WE'RE SHARING WITH THEM.

—Amy VandeSand, Director of Consumer Market Research, FVP at SunTrust Bank



Technology is Changing the Game

HOW SOCIAL MEDIA HAS CHANGED REAL ESTATE MARKETING

The days of marketers pitching products and services to consumers and telling them what they need seem long gone. Instead, marketers are conversing directly with consumers, responding to questions and requests through social media.

Millennials—the largest home buying demographic—in particular trust social media as a hub of information sharing with their peers and weigh referrals and advice more heavily than advertisements. Millennials trust their peers and recommendations, but also want the expertise of a real estate agent who knows the ropes. Think of social media as an introduction to your agent or firm. Make sure that agent is available to reply to questions and comments.

- When it comes to marketing property, **only 31 percent** of Realtors are comfortable using social media.⁷



Don't miss out on the conversation. Here are three tips to get your social media presence up and running:

1 Meet consumers where they are to build trust

Consumers rely on finding information on social media. And, more importantly, social media allows people to share topics and information, which can build trust. When considering a purchase, 82 percent of Americans seek recommendations from friends and family, and 67 percent are more likely to make a purchase after a friend or family member shared it via social media or email.⁸

3 Explore different benefits for different platforms

The goal shouldn't be getting everywhere on social media at once; rather, focus on getting yourself onto the platforms that work best for your situation. Facebook is perhaps the best-known social media platform, and Twitter can be great for quick updates, but other avenues, like Instagram, have also proven very useful for real estate marketers, as people want to see photos and videos of the entire home. Overall, find what works for you and dive in.

2 Yes, "shares" and "likes" matter

When people share your posts or listings, think of it as a vote of confidence, or at least an expression of interest. Others who see these shares or likes might gain a similar interest. Social media provides an opportunity for you to put your information out into the world and have others discuss and carry it even farther.

48%

of all real estate firms feel that the biggest challenge they currently face is keeping up with technology⁷

THE MORTGAGE INDUSTRY'S SHIFT TO DIGITAL

The mortgage industry has made considerable progress improving the customer experience of applying for a mortgage through digital channels. Embracing new technology allows the mortgage process to be easier, faster and more convenient for customers and lenders alike. But new bells and whistles are not a substitute for a personal connection that is built through face-to-face meetings, phone calls and emails.

The digital process can save a significant amount of time and simplify the process for both the lender and the borrower.

When applying for a mortgage:

1. Meet with a loan officer at a financial institution
2. Discuss financial information in person
3. Fill out a mortgage application
4. Provide documentation, such as bank statements and tax returns
5. Expect a good amount of back and forth throughout the process



When applying for a mortgage digitally:

1. Talk with a loan officer over the phone or through email
2. Submit documents electronically, or even authorize the digital lender to access your financial information



78% of homebuyers who make an inquiry to an agent expect a response within 24 hours⁹

30% expect that response to come within a few hours⁹

On the other hand, when dealing with traditional mortgage processes and paperwork:



It roughly takes **18 days** for a borrower to attain an underwritten loan approval from a lender¹⁰



It takes about **50 days** (on average) to complete the loan process¹¹

However, with a digital mortgage, consumers can get a mortgage approval in a matter of minutes.

Just because a lender is incorporating modern technologies doesn't mean the branch becomes irrelevant to the home buying process. Consumers want the ease and simplicity of digital tools, but they want the reassurance of a personal conversation. Make it easy on yourself and your customers by being there for them at both ends of the spectrum.



49% of consumers trust a bank more when speaking in person¹²

47% of consumers find more value from a bank when speaking to someone in person¹²



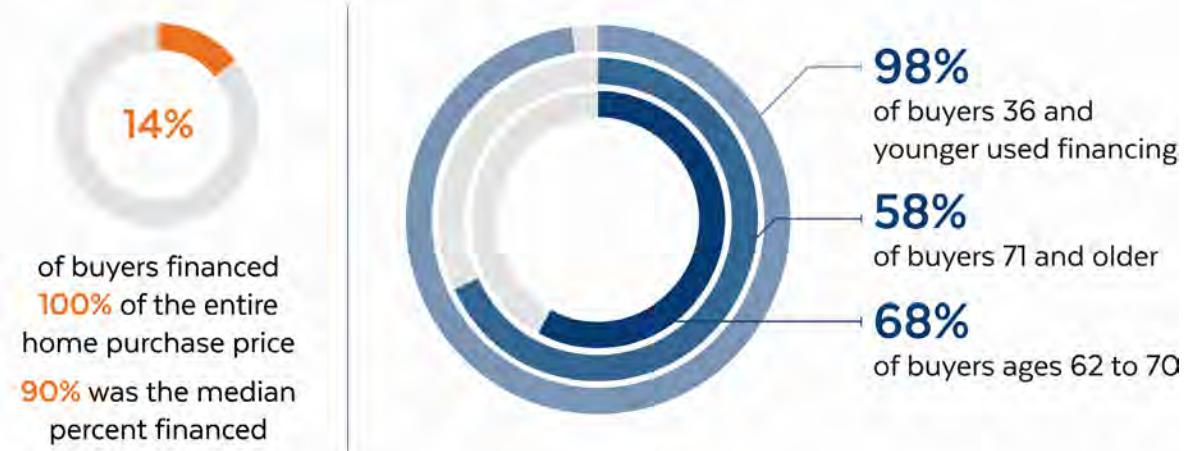
Today's Top Industry Trends

GOING BEYOND INTEREST RATES

Although there is much speculation about how much interest rates will rise and what the impact will be on the mortgage industry, one thing remains clear: Owning a home is still significantly cheaper than renting. What's more, millennials are demonstrating that they are not delaying their home buying dreams, as they currently represent roughly one-third of first-time homebuyers. More than half of today's buyers are relying on conventional loans, while others are exploring other loan types such as FHAs and VAs. Also notable: the falling popularity of adjustable-rate mortgage (ARM) options.

On average, **home buying is 37.7% cheaper** than renting for buyers who can put 20% down and plan to stay in the home for seven years. Interest rates would need to **double** in order to erase this price advantage.¹³

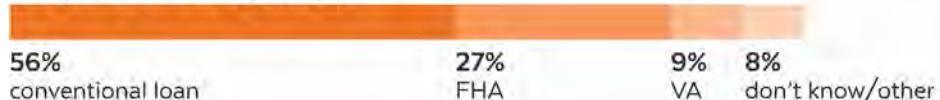
The large majority of homebuyers—**88%**—use financing to purchase their home.²



An even bigger segment—**92%**—opt for a fixed-rate mortgage, compared with just **2%** who take out an adjustable-rate mortgage (ARM) and **4%** who open a fixed-rate before converting to an ARM.² This compares to 2005, when nearly **39%** of all borrowers used ARMs.¹⁴

59% of all buyers used a conventional loan; this number increases with age.²

36 years old and younger



37-51 years old



52-61 years old



62-70 years old



71-91 years old



FIRST-TIME HOMEBUYER ACTIVITY AND TRENDS

While millennials have long been thought of as the hesitant generation when it comes to purchasing homes, the tide has shifted, and those aged 36 and under now comprise the largest percentage of first-time homebuyers.² But recent home buying activity is not exclusive to only millennials. Many other generations are buying for various reasons as well. And while additional rumors have circulated about the millennial generation being one that doesn't utilize outside assistance, most use professionals to purchase their homes. This shows that while new technology has been introduced to the home buying process, professionals are still a crucial piece.

First-time homebuyers make up roughly 35% of all homebuyers.²



Homebuyers financing facts²



88%

of buyers financed their home purchase



6%

median down payment

46%

of buyers 36 years and younger that had debt had a median student loan balance of **\$25,000**

27%

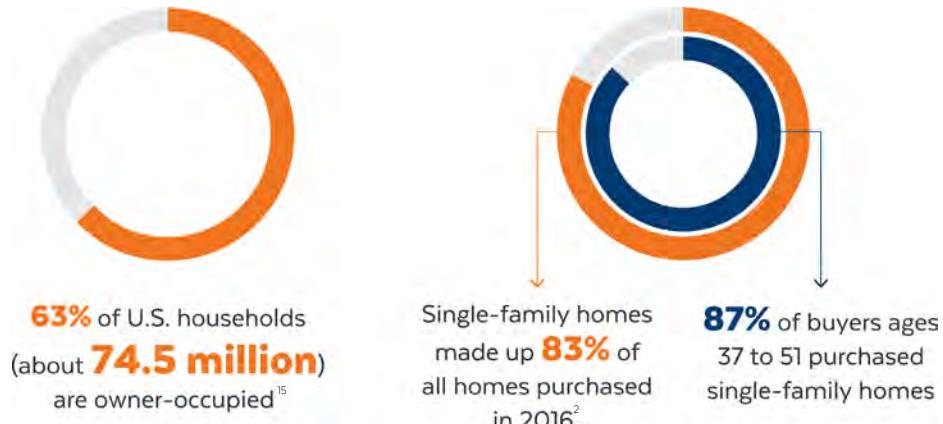
of buyers 37 to 51 had student loan debt, with a median balance of **\$30,000**

Face-to-face wins the race

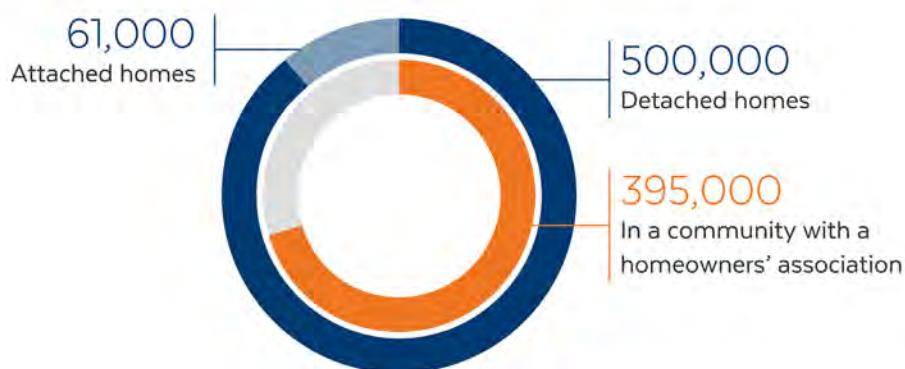
While new technology has been introduced to the home buying process, all age groups continue to consult realtors to help them buy their home. Buyers appreciate the help professionals offer to find them the right home, negotiate terms of sale, help with negotiations and more.

MARKET TRENDS: SINGLE-FAMILY HOMES OR CONDOS?

Residential construction home purchases and values are on the rise as the housing market continues to recover from last decade's crash, according to recent research. Sales and prices of existing condos and single-family homes are also continuing to rise. Knowing what options buyers are facing—and choosing—can help lenders provide reliable, timely insights.



561,000 new single-family homes were sold in 2016¹⁶



For the first time since 2005, construction on single-family homes grew faster than multifamily construction.



Spending on single-family construction totaled **\$243 billion** in 2016³

Overall levels of construction are still **below average**, however, especially for smaller single-family homes, townhouses and condos that first-time homebuyers typically choose.¹⁷



Planning for the Unexpected

STAYING AHEAD OF APPRAISAL ERRORS

Appraisal errors are a headache: They can slow down the mortgage lending process and delay final loan approval for customers. And yet, they're surprisingly common. Inaccuracies, such as incorrect information about comps and missing photos of the property, are among the top errors seen during the loan validation process.

There are a number of common errors that are frequently found with appraisals:

- The address and details of the subject property
- Details for the comparables
- Owner and borrower information
- Pictures. For example: Are all the necessary photos in the file? If the home has four bathrooms, but only three photos, why is the fourth one missing? Are all the required exterior and interior photos there?

Perhaps the easiest way to reduce errors is simply by running the appraisal data files through Fannie Mae and Freddie Mac's Uniform Collateral Data Portal (UCDP)—which ensures consistent data and quality control on all appraised properties—and paying careful attention to the results.

Taking care of any obvious address discrepancies upfront with the appraiser improves the integrity of the loan file. When red flags do appear, communicating them to the appraiser is key, but because of the Appraisal Independence Requirement, lenders have to be careful about how they speak with appraisers.

Tip 1: If you note that the appraiser's report has three bedrooms in a comp, but other records indicate it has four bedrooms, raise the discrepancy and simply ask the appraiser to address it.

Tip 2: When these issues come up, make sure the appraiser is addressing them specifically and not using generalized statements about the market.

Tip 3: For new construction properties, it's important to ensure the appraisal accurately reflects the property that's built, not just the initial plans that were drawn up. When change requests, upgrades and sales contracts addendums happen, the appraiser needs to be involved.

Properly addressing all of these discrepancies and errors is just as important as finding them in the first place. It also immensely helps the process to address these with the appraiser quickly.

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COMMUNICATING
EFFECTIVELY WITH
APPRAISERS AND
ASKING THE RIGHT
QUESTIONS REALLY
HELPS ENSURE THAT
THE PROCESS IS CLEAN.

—**Dwight Nesbitt**, VP, Collateral
Production Manager at SunTrust Mortgage

NATURAL DISASTERS AND MORTGAGES

Dealing with a natural disaster and its aftermath can understandably be a challenge for homeowners—emotionally, physically and economically. Disasters can rack up damage to properties, cause home prices to shift and affect appraisals on homes. Quick communication between lenders and homeowners is crucial in the wake of a disaster. Learn more about how to be prepared for those conversations.

In the event of a potential disaster, some of the primary questions for lenders include:

- Is a property at risk for damage during the application process?
- Is an applicant's income or employment status likely to be impacted?
- Was appraisal completed before the disaster, and how might the value of the property be affected?

In FEMA major disaster areas, mortgage companies may be authorized to¹⁸:

- Suspend mortgage payments for up to 12 months
- Waive late fees or penalties
- Suspend delinquency reports to the major credit bureaus

Types of available federal aid include:

- Small Business Administration (SBA) loans for home repairs or property replacement
- FEMA grants for non-insured basic home repairs, temporary rent assistance and disaster-related medical or child care
- Federal Housing Administration (FHA) 203(h) program to insure mortgages to disaster victims who are trying to rebuild or purchase a new home

After a disaster, communication is key. Homeowners and lenders should be in contact as soon as possible after disaster events so that both parties know the best steps to take to assist in rebuilding and fulfilling mortgage terms.

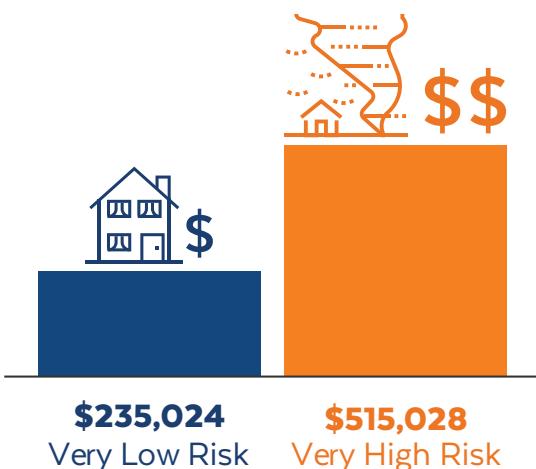
➤ In areas where FEMA has declared a disaster, a disaster area inspection report (DAIR) **is required** for recently appraised properties.

Property Damage (in Millions) by Weather Events in 2016¹⁹

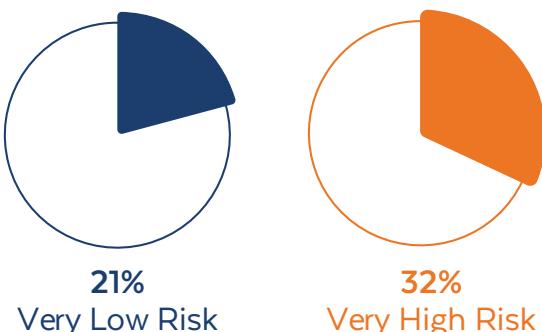


In the top 20 percent of cities with the **highest** risk for a natural disaster, home prices have increased more than twice as fast as those homes in the **lowest** 20 percent in the last 5 years.²⁰

January-June 2017 Median Sales Prices²⁰:



Average Home Equity Comparison²⁰:





The best lenders go above and beyond to make sure they educate their clients along the way.



For the latest insights and tips, visit
suntrust.com/LendersInsights.

¹ "The 2017 Profile of Home Buyers and Sellers," 2017, National Association of REALTORS®

² "Home Buyer and Seller Generational Trends Report 2017" March 7, 2017, National Association of Realtors

³ "The State of the Nation's Housing," 2016, Harvard University

⁴ "Here's how much the average American in their 20s has in student debt," June 14, 2017, CNBC

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⁷ "Real Estate in a Digital Age: 2017 Report," 2017, National Association of Realtors

⁸ "5 Statistics That Will Change the Way You Think About Referral Marketing," February 2016, Ambassador

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¹³ "Rent vs. Buy: Be Haunted by Prices, Not Rates," Oct. 20, 2016, Trulia

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¹⁵ "Quick Facts: Resident Demographics," October 2016, National Multifamily Housing Council

¹⁶ "Characteristics of New Housing," 2016, U.S. Census

¹⁷ "Existing-Home Sales," 2017, National Association of Realtors

¹⁸ "Mortgage Assistance for Those Impacted by Recent Natural Disasters," Freddie Mac

¹⁹ "Summary of Natural Hazard Statistics for 2016 in the United States," May 11, 2017, National Weather Service

²⁰ "Home Prices Rising Twice as Fast in U.S. Cities with Highest Natural Hazard Risk Than in Lowest-Risk Cities," Sept. 19, 2017, Attom Data Solutions

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