

The Quest for a Mortgage

By ANNAMARIA ANDRIOTTIS

The likelihood that a mortgage application will be approved varies widely by bank.

Home-buyer rejection rates ranged from 11% to 34% in 2012 at the 10 largest mortgage lenders, according to data released this month by the **Federal Financial Institutions Examination Council**, an interagency body of the U.S. government.

Those who applied for a mortgage at SunTrust Mortgage, a unit of **SunTrust Banks**, faced the lowest rejection rate—3,831 out of 34,749 applications were denied—while those at **J.P. Morgan Chase** encountered the highest rejection rate: 26,894 out of 80,036 were denied.

Large lenders sell most of their mortgages to government-backed mortgage giants **Fannie Mae** and **Freddie Mac**. But many lenders require applicants to clear hurdles that surpass federal guidelines, and they do so in degrees that vary by institution. Home buyers who get rejected for a mortgage at one large bank could get approved at its competitor—assuming they know not to give up the search.

"It absolutely makes a difference where you go," says Stu Feldstein, president of SMR Research, a mortgage-research firm in Hackettstown, N.J.

Rejection rates have come down significantly since the recession, when lenders pulled

back on mortgage originations in the face of rising foreclosures.

Experts say recent rejection rates could vary greatly among the banks because of the types of mortgage applicants they are receiving. **J.P. Morgan Chase** and **Bank of America**, which had the highest rejection rates in 2012 among the 10 biggest lenders, have subprime borrowers that they acquired when they bought **Washington Mutual** and **Countrywide**, respectively.

A spokesman for **Bank of America** says the bank's denial rates have been consistent over several years, ranging from 20% to 25%, including before the **Countrywide** merger. **J.P. Morgan Chase** declined to comment.

Home buyers typically have to answer a laundry list of questions about their finances before

they even make it to the actual mortgage application. Many are denied before they even sign an application, says Guy Cecala, publisher of **Inside Mortgage Finance**. For instance, excluding preapprovals, **Wells Fargo** denied roughly 12% of applications last year; with preapprovals, the rejection rate jumps to about 21%.

For home buyers, the findings underscore the importance of casting a wide net when shopping for a mortgage. In addition to contacting individual lenders, consider speaking with mortgage brokers who work with a variety of lenders and can give would-be borrowers an idea upfront of whether they can get approved. And just because buyers are denied, that doesn't mean they should stop the search.



By Mark Hulbert

Fooled—This Is No

market,
stocks?

If they are right, it means you are kidding yourself if you think there are
riott School of Man
Young University.