Protecting Home Value:
A CASE STUDY

In the middle of 2013 and during a difficult and evolving mortgage market, a Chicago suburb based mortgage lender, 1st Advantage Mortgage (**1AM**) partnered with the Denver-based EquityLock Solutions to create a product sponsored by **1AM** and was made available to their customers when securing a new mortgage. During the months that followed, traditional refinance business for mortgage origination companies continued to decline and new business opportunities would have to be cultivated from traditional sources of new purchase mortgages.

Given the mortgage market, these traditional sources would have a large number of fairly commoditized options. The typical mortgage loan originator would have a hard time differentiating their 30 year fixed mortgage offer from all other offers when the rates were identical and lending standards have become more uniform and regulated. However, **1AM** empowered their loan originators to stand out and help attract new business by offering home market protection.

With their partnership with EquityLock, **1AM** private labeled EquityLock FIRST and began including the product on all new mortgage business, a free benefit to its customers to provide home value protection. This benefit provides two significant benefits to **1AM** in the market. Paul Lueken, president of **1AM**, has used the product as a significant way to differentiate their offering to potential new loan originators. In order to grow, and recognizing that each loan originator will generate a finite number of mortgages, Lueken has used this benefit to help increase the number and quality of the loan originators that are affiliated with **1AM**. When a loan originator understands the value of this benefit, the second significant effect becomes apparent. New purchase mortgage business grows from the efforts of those loan originators recruiting more referral sources who recognize the difference between a mortgage like everyone else's and one that has similar rates and terms with an added benefit that provides greater value to the homeowner. These originators were able to make it simple - a mortgage with the same rates and terms that protects the homeowner versus one that doesn't.

Local home prices have stabilized, but this Chicago lender is continuing to court homeowners bracing for another downturn, offering mortgages that come with protection against falling prices, because it is working. After 14 months of deploying this program within their organization, 1AM has seen significantly improved results. Month over month new purchase loans have increased by more than 40%. These results directly correlate to 1AM's ability to differentiate themselves in their market. Recruiting more quality loan originators and attracting more new purchase mortgage business combines to grow good business in all mortgage lending operations.

"We protect the people who need it most: the homeowner who doesn't understand the bigger market and macroeconomics of real estate," said EquityLock CEO Ted Rusinoff. "The more competitive the mortgage market gets, the more mortgage companies want to distinguish themselves."

1st Advantage has placed hundreds of Value Guard loans since introducing them at the beginning of May 2013. Borrowers can also buy extended protection for 15 years by paying 1.75 percent of the equity that they want to cover – protection for another $100,000, for instance would cost $1,750.

"I truly believe that my sales force gets picked more often on loans that wouldn't have been picked before," Mr. Lueken said. "This is the deciding factor, we don't make any money on this."

Value Guard, would have hardly gathered attention a decade ago, when home values were soaring. 1st Advantage was betting the innovation would give them an edge in the competitive residential lending business while memories of the housing crisis are still fresh. Chicago-area single-family home prices are 5.5% percent higher since the launch of Value Guard, but are still down 22 percent from its peak in 2007.

Value Guard borrowers are eligible for payment if the Chicago-area house price index computed by the Federal Housing Finance Agency is lower upon resale than the level recorded the day they took out the loan. An index is used instead of individual sale prices to encourage customers to maintain their home values. The maximum payout, $10,000, represents 10 percent of the $100,000 protected home value by Value Guard.

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Protecting You First

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