

Banks boost lending fees

By Steve Daniels
 Feb. 02, 2009

With demand for mortgage refinancing soaring and rejections more common, big banks now dominating the home-loan business are hiking application fees.

Chicago's three largest banks — J. P. Morgan Chase & Co., Bank of America Corp. and Harris N.A. — almost doubled mortgage application fees in recent weeks, to as much as \$750. Lower interest rates are driving demand for mortgage refinancings. But as home values plummet, more applicants are being turned down and banks aren't refunding or waiving application fees as they did in recent years.

With fewer players making home loans, banks are free to charge higher fees. Some question whether these same banks that received billions of dollars from the federal government's bailout ought to be taking advantage of the reduced competition to make things harder and more expensive for consumers to refinance.

"It's due to the fact, in part, that lenders aren't anxious to lend. Most lenders aren't adding staff," says Guy Cecala, publisher of *Inside Mortgage Finance*, a Maryland-based newsletter covering the mortgage industry. "They're not gearing up for (the higher demand). They're making people wait weeks."

Representatives of the banks say they've been swamped since Thanksgiving, when rates plunged after the Federal Reserve agreed to buy mortgage-backed securities issued by Fannie Mae and Freddie Mac. Refinancing existing loans accounts for about 80% of banks' recent mortgage activity.

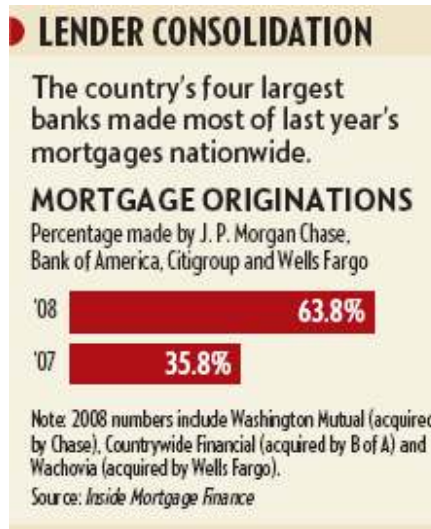
The higher fees are meant to discourage refinancing applicants from going to other lenders if rates fall during the time it's taking the lenders to close loans. (Lenders are locking in interest rates for customers for no less than 60 days.)

"Upfront application fees are one tool that a lender may use to better ensure that fulfillment teams are not spending undue time processing a high volume of speculative applications, to the detriment of timely service levels for customers earnestly seeking and qualifying for loans at today's low rates," a Bank of America spokesman says in an e-mail.

The spokesman declines to comment on current fee levels, but Bank of America recently hiked its upfront fee for refinance applications to \$654 from \$355, according to people familiar with the matter. Applicants who are rejected must give up \$355; those who leave for a better deal are out the full \$654.

Likewise, Chase recently increased its application fee to \$750 from \$395. Rejected applicants are refunded \$350 of that total.

Harris last week increased its upfront fee to \$495 from \$265. Rejected applicants must pay for the appraisal and credit check, which typically range from \$265 to \$425, a spokeswoman says.



Spokespeople for the banks say they are raising application fees to cover their own increasing upfront expenses and to ensure they're catering to serious applicants.

Meanwhile, more applicants are being rejected.

Fifth Third Bank in Chicago, for example, is closing about 70% of the applications it's getting, down from 85% during times when credit standards were looser, says Howard Ackerman, president of the bank's local mortgage unit. Fifth Third is keeping its application fee at \$325, but that's non-refundable if the loan is rejected.

Even smaller banks, moving to fill some of the mortgage demand, are trying to make sure they don't eat appraisal costs. Marquette National Bank, for example, charges a non-refundable upfront fee of \$250.

The banks say that application fees usually are applied to closing costs, so the higher upfront charges don't increase costs overall for borrowers who finish the process. The risk is for those who are rejected or who bolt for another lender.

"With so many people having gotten out of the business, third-party fees have gone up," says Stephen Calk, CEO of Chicago-based mortgage banking firm Chicago Bancorp. "Appraisal fees have gone up 25% in the last year. Across the board, those costs have been passed along to the customers. The consumer needs to shop for a low application fee."

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