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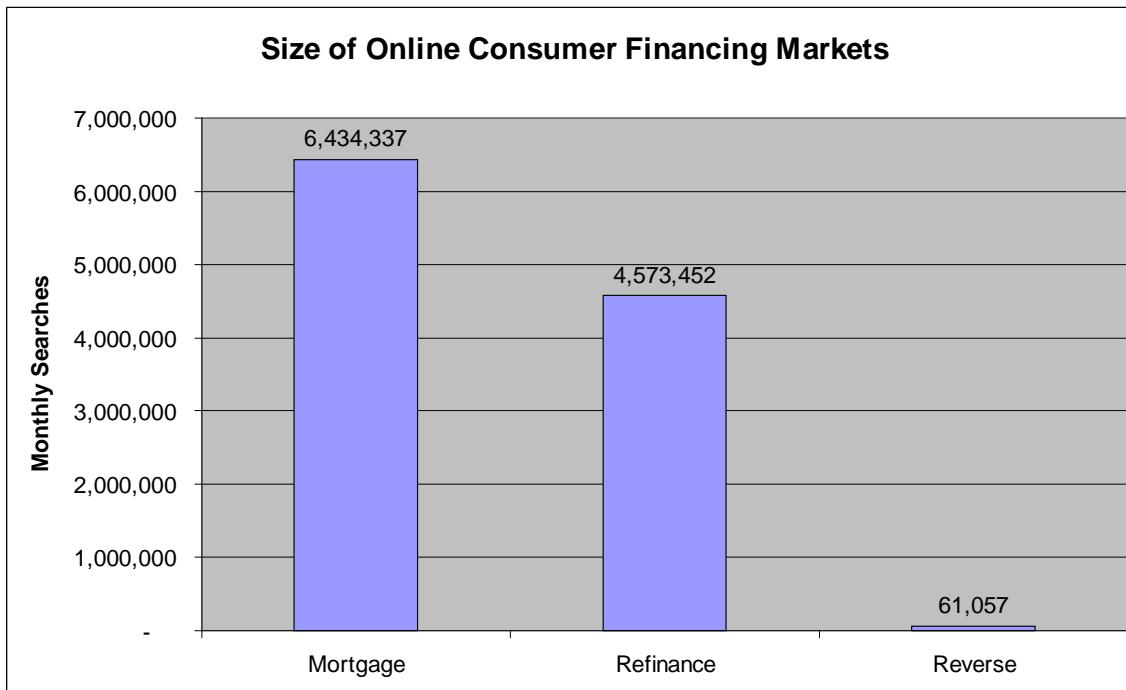
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## **The Overall Market for Residential Realty Related Financing**

## **Overall Market Demand and Characteristics**

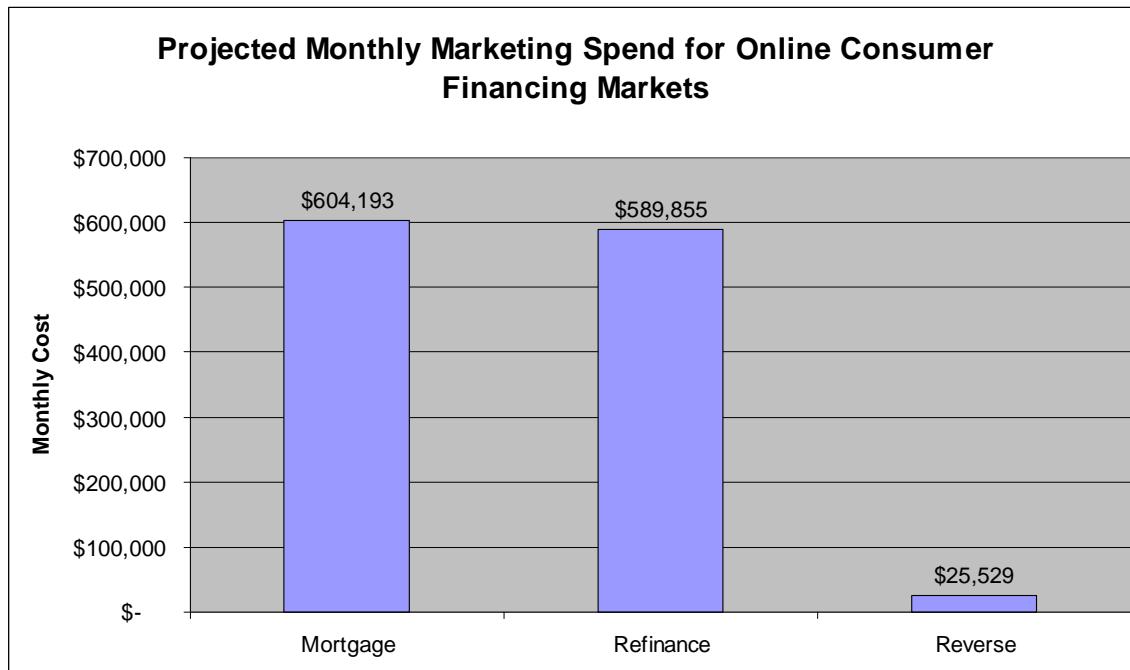
This report section looks at the overall market for realty related consumer financing. In addition to mortgages, refinancing and reverse mortgages, other markets such as owner financed, and debt reduction were analyzed and found to be too small or too distinct to warrant inclusion in this report.

### **How much consumer interest is there in residential financing?**



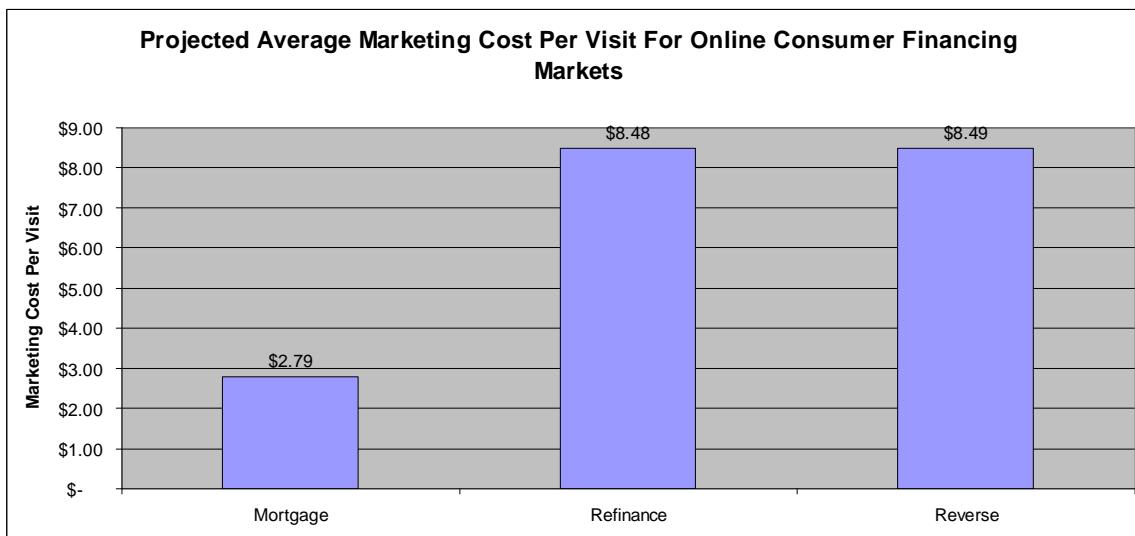
Consumer interest in mortgages is roughly 40% greater than consumer interest in refinancing (mortgage refinances, second mortgages, home equity lines of credit, and home owner loans), and consumer interest in mortgages is roughly 100 times larger than consumer interest in reverse mortgages.

## How much are businesses spending marketing to consumers looking for residential financing?



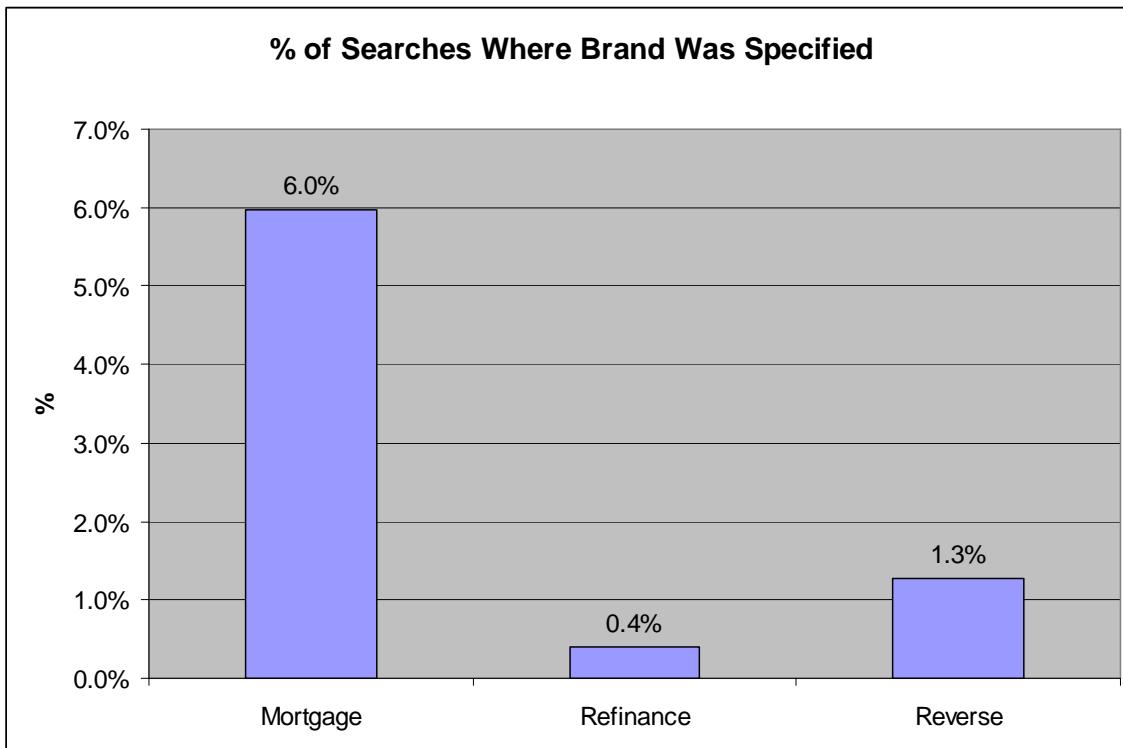
Businesses spend equal amounts of money trying to reach mortgage and refinance (mortgage refinances, second mortgages, home equity lines of credit, and home owner loans) shoppers on the Internet. The most aggressive marketers will spend up to \$600,000 per month on online advertising.

## How much are businesses willing to spend per visit to get consumers to their web sites?



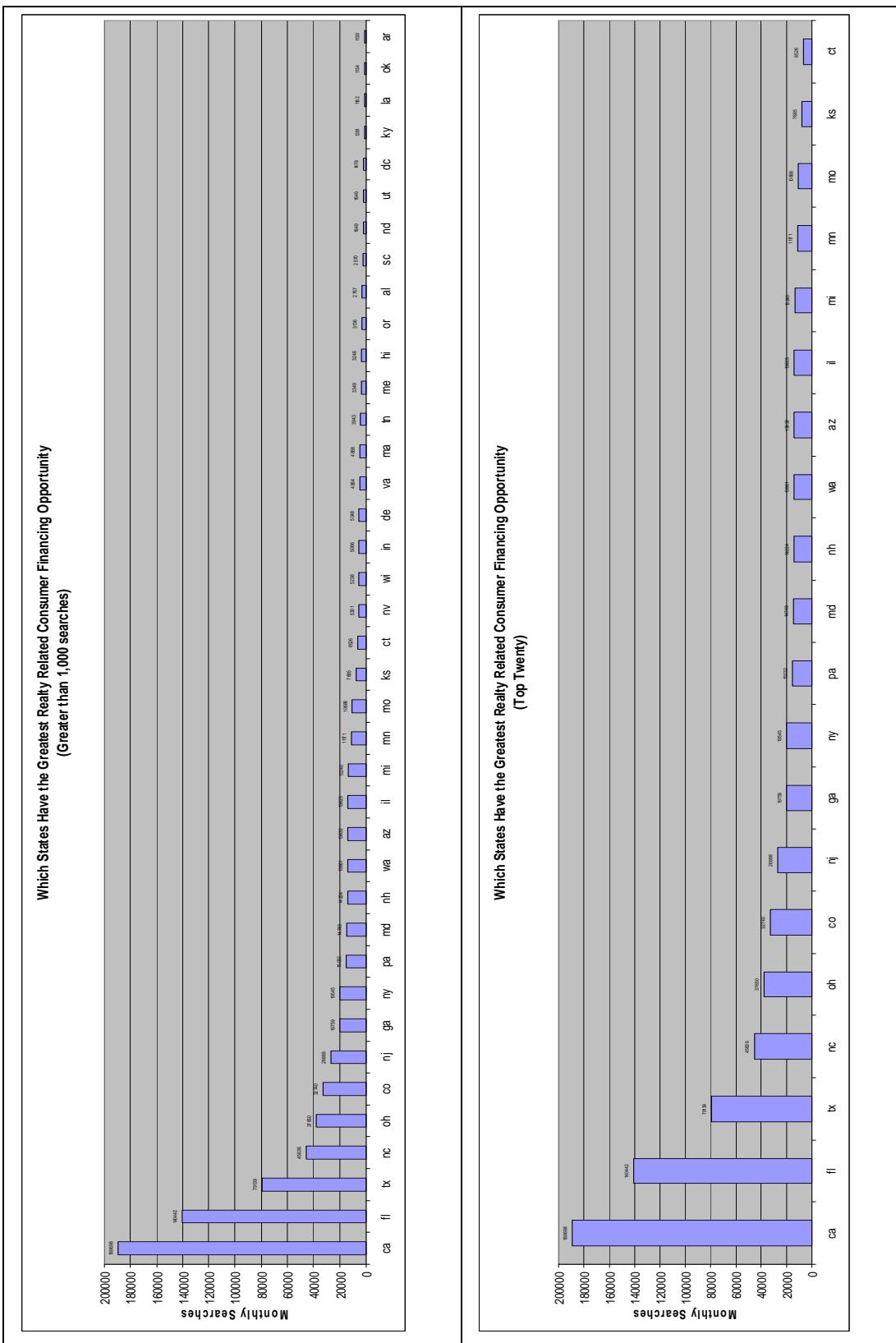
Businesses are willing to spend more than twice as much to get refinance and reverse mortgage shoppers to visit their web sites than they are willing to spend on mortgage shoppers.

## How important are brands to consumers?

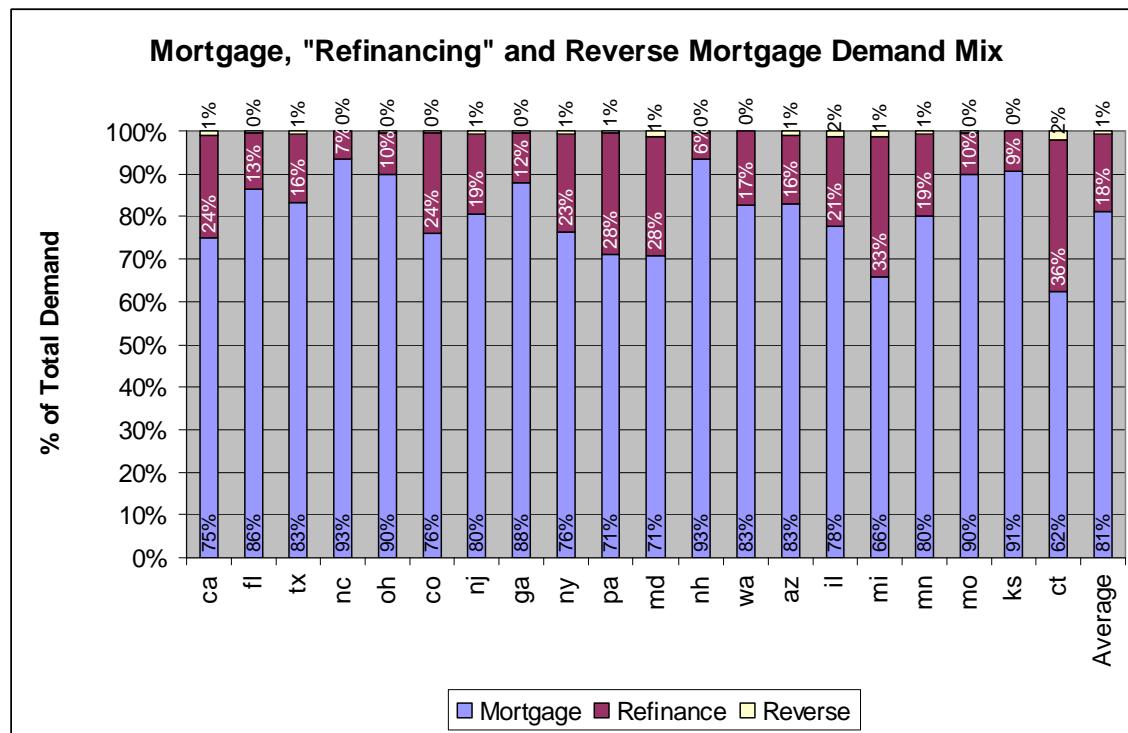


Brands were significantly more important to consumers shopping for mortgages than they were to consumers shopping for refinancing or reverse mortgages. This may reflect the fact that refinancing products and reverse mortgage products are relatively new consumer offerings compared to mortgages.

## Which states have the greatest demand for realty related consumer financing?



**How does demand mix for mortgage, “refinancing” and reverse mortgages vary by state**

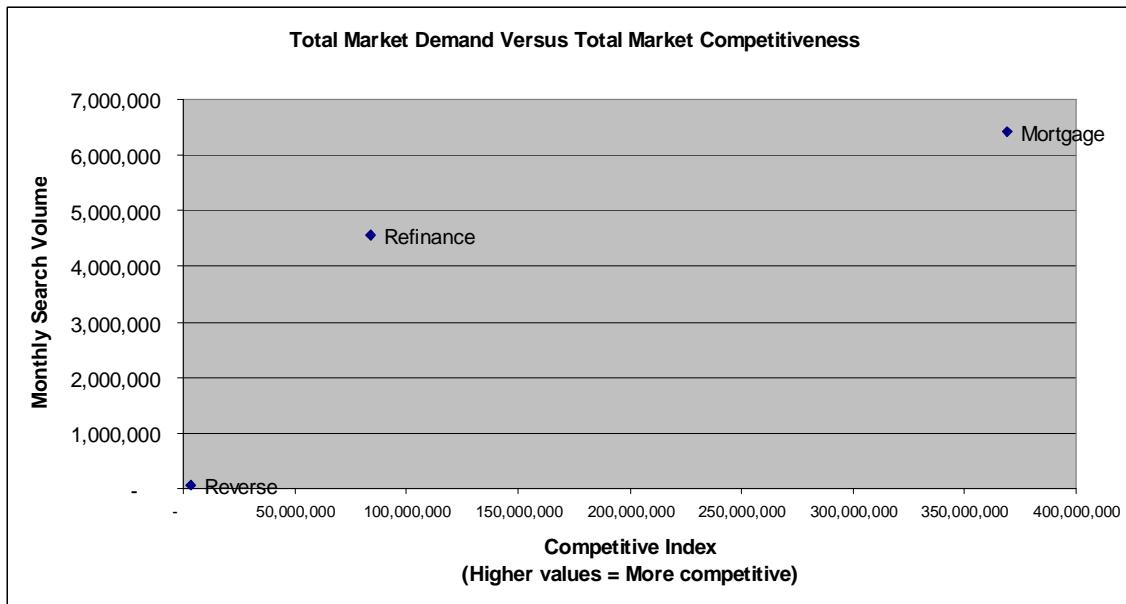


“Refinance” shoppers are much less inclined to specify a state when looking to refinance, take a second mortgage or to get a home equity loan or line of credit, than they are when seeking a mortgage. Whereas 9.8% of mortgage shoppers specified a state, 3.4% of “refinance” shoppers specified a state, while 7.7% of reverse mortgage shoppers specified a state when shopping.

## **Overall Market Competition and Opportunities**

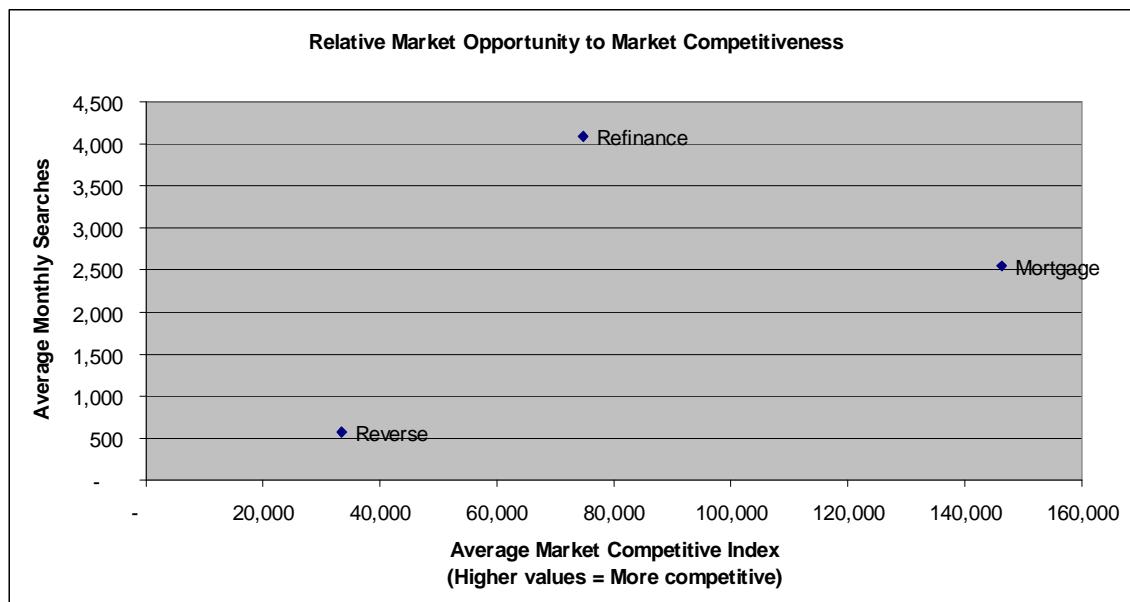
Compared to each other, which is least competitive relative to the amount of market demand, marketing mortgages, refinances or reverse mortgages?

**Overall, which market represents the best market opportunity?**



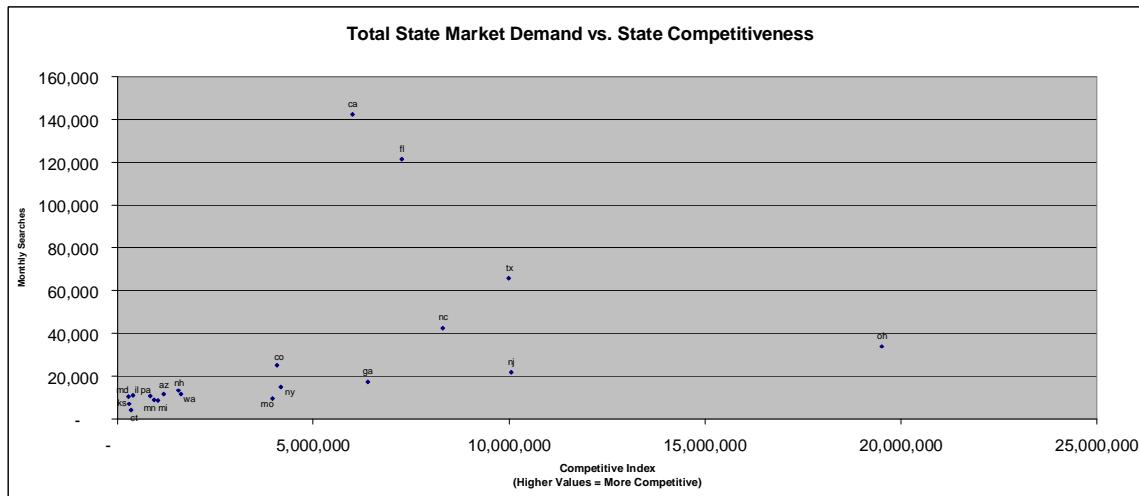
In absolute terms and in total, reverse mortgage marketing is the least competitive market and mortgage marketing is the most competitive market, but when the amount of market demand is considered, the market for refinancing is the least competitive for the amount of available market opportunity.

## On average, which market represents the best market opportunity?



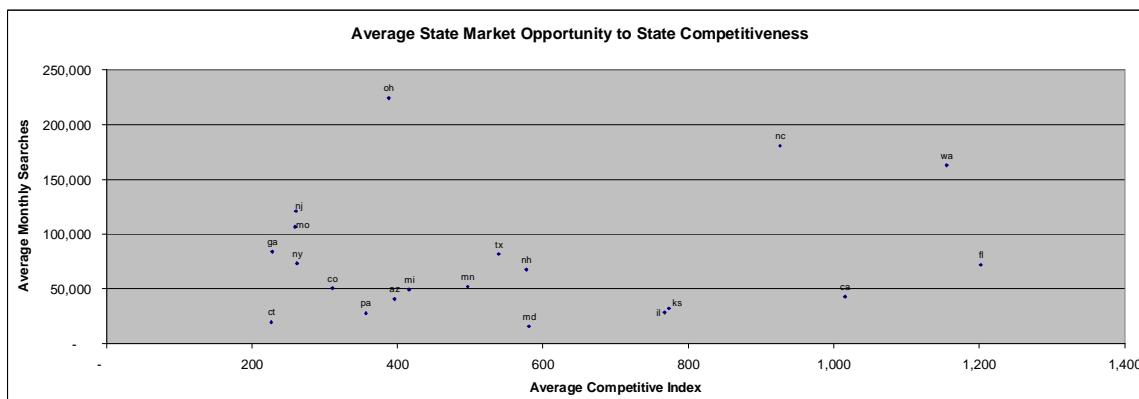
Looking at the markets on average to normalize out some of the impacts of market size and dispersion of demand between more or less search terms, the refinance market clearly and distinctly emerges as the least competitive of the markets for the amount of available market opportunity with 50% more market opportunity available with roughly half the competition.

**Overall, which of the top twenty states, represents the best market opportunity?**



California and Florida have tremendous amounts of demand, but they are only the seventh and fifth most competitive states, making them the least competitive overall relative to the available market opportunity.

**On average, which of the top twenty states, represents the best market opportunity?**



Looking at the markets on average to normalize out some of the impacts of market size and dispersion of demand between more search terms Ohio stands out as the least competitive of the markets for the amount of available market opportunity.

## **Overall Market Takeaways**

### **Strategic**

- The market for refinances presents a better growth opportunity for businesses than either the mortgage or reverse mortgage markets due to its high demand compared to the reverse mortgage market and its lower degree of competition compared to the mortgage market.
- Even though the market for mortgages is the largest, it appears to be the most saturated, with businesses having established significant long term competitive positions (i.e. large amounts of web content, large amounts of inbound links to these sites).
- The market for refinancing (refinances, seconds, HELOCs, and loans) is less saturated than the market for mortgages. This may be due to the wide range of alternatives and substitutions for providing consumers financing and lack of consumer clarity on the differences and pros and cons of the alternatives. Refinancing appears to be the market with the least amount of competition relative to the amount of available opportunity
- The market for reverse mortgages is tiny in comparison to the markets for either mortgages or refinancing, and although it has the least amount of demand it has the least amount of competition. This market is suitable for businesses pursuing a big fish in a small pond business plan.

### **Tactical**

- For established businesses prepared to offer a full suite of realty associated financial services and with the resources to invest, the best markets to pursue or focus on are California and Florida. These markets are huge and have a lot of room for a lot of competitors.
- For businesses with more limited resources, the best market to pursue or focus on at this time is Ohio. Although the market is modestly sized, there are a number of unexploited opportunities in this market
- States which were not listed in the top twenty should be state specific marketed only as part of a niche marketing strategy.
- Reverse mortgage marketing is a niche market at this time. If you believe this market has significant potential for long term growth, this is a very cost effective time to invest in establish a strong competitive position.