

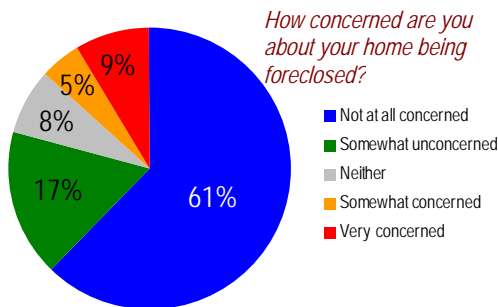
FINANCIAL SERVICES ADVISOR™

Monthly insights from Compete for financial services executives

Bargain Seekers Hunt While Consumers Dismiss Foreclosures

Recently, home foreclosures and the disappointing performance of leading sub-prime lenders have captured significant attention. To learn more about consumer attitudes and intentions with regard to their adjustable-rate mortgages Compete, surveyed consumers who were recently shopping online for mortgages. The study found:

- About 15% of consumers seen shopping at leading mortgage sites report they have an adjustable-rate mortgage (ARM)
- 27% of ARM holders have seen their first rate adjustment; for 45% the first rate change is at least a year away
- Two-thirds of ARM holders looking to refinance want to switch to a fixed-rate loan; most say they want to change due to the uncertain nature of ARM rates and monthly payments
- Those who are planning to stick with an ARM say they like the lower rates and lower monthly payment, particularly if they have plans to move within the next few years
- Over 80% of people who plan to switch from an adjustable-rate to a fixed-rate mortgage say they are concerned about rising rates, but 2 out of 3 would not switch to a fixed-rate loan if it meant a larger monthly payment
- About 20% of respondents know of someone who has faced foreclosure; yet almost 80% say they personally are unconcerned foreclosure
- Surprisingly, 47% of consumers said they are less concerned about foreclosure today than they were a year ago. Moreover, consumers seeking foreclosure help on hud.gov declined by 19% from February 2006 to February 2007.



This same lack of interest in foreclosures, however, is nowhere evident in the population of consumers who are shopping for foreclosed properties. Compete measured activity at leading online research sites for "bank-owned" properties and found that traffic at these sites was up 30% year-over-year in Q4. Over 5 million people visited realtytrac.com alone in the first two months of 2007.

By understanding the motivations, perceptions and behaviors of in-market home loan shoppers, financial services marketers can better target their marketing efforts. Identifying, quantifying and adapting to dynamic consumer trends gives financial services firms a valuable competitive advantage.

Monthly Metrics

Financial Services Indicators:
Change from January 2007 – February 2007

Percent change in number of search queries		
Top non-branded insurance terms		
auto insurance	▼	-2%
car insurance	▼	-16%
insurance	▼	-1%
Top non-branded brokerage terms		
stock(s)	▼	-22%
mutual fund(s)	▲	10%
cd rates	▼	-12%
Top non-branded home loan terms		
home equity loan	▼	-17%
mortgage calculator	▲	0%
mortgage rates	▼	-26%
Percentage change in Prospect and Applicant volume		
Product category	Prospects	Applicants
auto insurance	▼ -19%	▼ -17%
brokerage	▲ 6%	▲ 3%
home loans	▼ -8%	▼ -8%

At first glance, February was a month of general decline in financial services online activity. However, this decline is from a very active (and period high) January and largely related to seasonal trends. In this context, the growth in prospects and applicants within the brokerage space is significant. The drop in insurance search queries and shopping behavior may be large, but is still at levels higher than the third quarter 2006 average.

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