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Credit Bureaus Share Your Loan Application

Kenneth R. Harney

When you get a mortgage rate quote or preapproval, you probably assume that your dealings with the lender are confidential, right?

Wrong. Your loan officer may not be aware of it, but behind his back, key financial details about you and your mortgage needs are being offered to competing lenders within 24 hours of your credit bureau inquiry. Firms such as Mortgage Inquiry Data Inc. of Coral Springs, Fla., offer lenders nationwide "access to everyone in your city who applied for a mortgage loan within the past 24 hours."

"You can contact these people the next day and offer them a preapproval for a better loan with your company," Mortgage Inquiry Data says.

Intellidyn Corp., based in Hingham, Mass., touts its overnight "IntelliAlert" program this way: "Imagine the value of knowing which prospects have inquired or submitted a live application with your competition" within hours. For "platinum" customers -- those who commit to a monthly minimum purchase of \$31,395 worth of hot leads -- Intellidyn promises to keep them on top of any mortgage inquiry, anywhere, anytime they want.

So what, you say? Aren't our most intimate financial and credit affairs sliced, diced and served up to the highest bidders regularly anyway? Sure, but consider the experience of Pat Barney, who lives outside Minneapolis.

Barney recently applied for a home equity credit line from a large national bank. Shortly after he applied, he got a phone call from a competing lender trying to persuade him to switch to an equity line from her firm.

Then he got another call, from a competitor who began the conversation by saying, "I've been notified by your lender that you're looking for a loan." Barney, who manages a branch office of Summit Mortgage Corp. in Edina, Minn., knew that was a lie.

"Why would [my lender] want to let anybody else know about my application?"

He was also suspicious that lenders calling him that way -- especially those who were dishonest upfront -- would be highly likely to lowball their estimates on rates and fees to steal him away.

"This is a setup for a bait and switch," he said. Worse, he said, "here I am in the mortgage business and now I see that my customers' credit information may be marketed and sold within hours to my competitors."

The information can be highly detailed and sensitive. Mortgage Inquiry Data's Web site offers loan inquirers' credit scores, open mortgage balances, loan-to-value ratios, monthly mortgage payments, revolving debt balances and other personal financial data.

"Where is the line here?" said Virginia Ferguson, co-owner of Heritage Valley Mortgage Inc. in Pleasanton, Calif. "When do you begin to violate individuals' privacy rights?" Ferguson is past chairman of the National Association of Mortgage Brokers' credit score committee and said her group plans to look into possible violations of federal credit or privacy regulations by intermediary firms selling 24-hour mortgage inquiry and contact information provided by the national credit bureaus.

In promotional material sent to lenders, Jesse Leeds, sales director for Mortgage Inquiry Data, said his business is "compliant with all privacy and do-not-call laws." The promotion also claimed that the firm is "able to provide [its services] by working in conjunction with the three major credit bureaus." However, in an interview,

Leeds said the firm gets its credit data from just one bureau, Equifax, not **Experian** or TransUnion. Spokesmen for Equifax and **Experian** confirmed that their firms do offer 24-hour "trigger" lists of applicants for mortgage credit. TransUnion did not comment on whether it provides overnight contact data. Equifax and **Experian** said their marketing of overnight mortgage inquiry leads violated no federal or state rules and is merely a speedier version of their routine sales of lists for other preapproved offers of credit.

What's the takeaway here for you? That probably depends on whether you believe that your mortgage inquiry should be a private matter and not trigger dissemination of your credit score, debt levels and other sensitive information overnight to people who plan to pester you with calls or junk mail.

On the other hand, you might appreciate hearing offers that may -- or may not -- be superior to the one you've got. However, before signing up with a lender that bought your name from an overnight "lead" mill, make sure you check that lender out thoroughly. Ask for multiple consumer references in your area. Check with financial regulators to make sure the company has a clean record. Never deal with people who claim that your local lender suggested they get in touch.

Otherwise, as Barney suggested, you could be opening yourself to one of the oldest con games going: bait and switch.