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Rocket Mortgage Blasts Off To Controversy

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Imagine you are a marketing executive at a large or up-and-coming firm considering the possibility of buying some advertising during the Super Bowl. There are a lot of expected parts of that cost-benefit analysis. The exposure to hundreds of millions of waiting eyes versus the $2.5 million it costs for a scant 30-second ad.

A particularly cautious exec might consider the possible risks related to the content of the ad itself — shoot for funny, end up offending; aim for poignant, end up depressing.

But, assuming the numbers worked out and an appropriate tone was decided, said marketing executive would probably be able to settle into the game. She might have even been confident she was going to enjoy it — or, at least, enjoy it as as much as anyone can enjoy a long, low-scoring defensive contest where two superstar quarterbacks have no (positive) effect on the final score.

And if that marketing executive worked for Apartments.com, Amazon, T-Mobile or **Heinz**, that worked out just fine. We as a people love "The Jeffersons" theme, Alec Baldwin, "Hotline Bling" and dogs in costume and are happy to see those things used to promote apartment marketplaces, Alexa/Echo, cell phone service providers and/or condiments during the Super Bowl. Well, those super-fast, easy mortgages and the underwriters that promoted them to hundreds of millions of Americans at once during the biggest game in the world were not anywhere near as popular as Drake or dachshunds dressed as hot dogs.

Amusingly titled "What We Were Thinking" given the public reaction to it, Rocket Mortgage by Quicken Loans clearly expected a little pushback. But it got more than "a little" pushback as the viewers at home criticized the ad. In fact, the ad even managed to bring together some folks one might have assumed would be unable to find any sort of common ground: the CFPB and the ultra-libertarian Cato institute.

THE PUSHBACK

Moments after the ad aired — touting its mortgages in under eight minutes — the CFPB fired back over Twitter strongly encouraging consumers to think their mortgage plans through for longer than eight minutes.

"When it comes to #mortgages, take your time, ask questions and #knowbeforeyouowe.http://go.usa.gov/cy2EJ"

That was the first **tweet**; the second one responded more generally to all the financial services on parade during the big game ads.

"Lots of financial #ads during the #Superbowl this year. Don't worry, we still have #adfree resources available at: http://go.usa.gov/cyTrJ," the CFPB **tweeted**.

The CFPB, in a rare moment of restraint, did not actually call out Rocket by name, which is better than the service it got from Cato Institute Director of Financial Regulation Studies Mark Calabria.

"Let's not forget the #RocketMortgage is made possible by ridiculously loose FHA underwriting standards — nothing free market about it," he **tweeted** in the moments after the ad aired.

And Calabria was not alone in taking shots at Quicken from the right-leaning side of the spectrum. Also having a moment of agreement with the CFPB that he probably couldn't believe was happening was commentator Ben Shapiro, who **noted** of the ad:

"This commercial is making an excellent case for a massive real estate bubble. It worked awesome in 2007. #RocketMortgage."

Professional smart people got in on the act. Princeton economist Atif Mian probably won "sickest burn of the night" with this **tweet**:

"Why didn't we think of this before? (say all five year olds)"

Ouch.

References to the bubble-pop, the movie "The Big Short" and a new real estate crash in the offing, more or less, ruled the night on Quicken's Twitter feed, though the firm made a valiant effort to respond **cheerfully and politely throughout**.

It even took the time to agree with the CFPB, before spending much of the night taking pains to point out that it was not actually forcing anyone to close on a mortgage or buy a house in eight minutes so much as it was streamlining a lot of initial paperwork.

".@CFPB We agree. No better way than #RocketMortgage for full transparency into mortgage options & info needed to make the right decision," Quicken **shot back** to the CFPB.

A TEMPEST IN A TEA KETTLE (OR AN ISSUE WITH THE TEA)

What Quicken has spent much of the following day noting is that it is not actually changing underwriting standards meaningfully; regulation makes that largely not an option, and it is **not an option** CEO Bill Emersonis reportedly pursuing.

“Those programs [that qualified subprime borrowers] don’t exist anymore,” said Emerson. “We’re not changing the credit box at all.”

Instead, what Rocket Mortgage is looking to do is just take a middleman out — a loan officer — and the paperwork requirements attendant with dealing with one.

In a manner entirely consistent with any number of other digital lenders we write about, Quicken is essentially giving consumers an easy way to digitally transmit their financial data to potential lenders, who then can offer a loan (or not) based on the consumer’s quickly assembled packet of information.

Quicken’s bet, says its CEO, is that the mortgage market is excluding borrowers who should be able to qualify, who simply don’t want to put themselves through a lengthy underwriting process.

Quicken’s research suggests there are many qualified homeowners that are sitting on the sidelines and “don’t want to get engaged because they’re afraid of the process. If we could give them an opportunity to interact with technology, understand the operation, maybe we could get some of these folks who qualify off the sidelines.”

Quicken, it also seems worth noting, still exists today to make loans because it mostly stayed away from deep-subprime products, like liar loans, in the past. It is still in the market for borrowers that many banks might deem too borderline — those with 3.5 percent down payments, for example, a market that Quicken has mostly cornered in the U.S. — but it has mostly stayed away from otherwise high-risk borrowers.

Which leads to an interesting thought to close on.

Quicken wants to make it easier to get a home loan and advertises this service. The belief that home ownership is broadly a good thing is pretty mainstream in this country, and for all but a very few people, home ownership is only possible if a large loan is underwritten.

Considering that, it seems at least a little odd that the moment a product that facilitates something that most people think is a good thing appears on the air, widespread panic breaks out. The financial crash of 2007 is a sobering memory to be sure, but reacting with knee-jerk panic to any attempts to help consumers buy homes more easily is probably not the best way to make sound, sober decisions about what type of financial products should be available in the future.