

Why choose a mortgage broker?

Two out of three Americans do. Brokers provide consumers with:

- Choice
- Convenience
- Expertise

The consumer receives an expert professional through the complex mortgage lending process. The broker offers the consumer extensive choices and access to affordable home loans while balancing the consumer's financial interests and goals.

Have more Americans been able to buy homes because of mortgage brokers?

Yes! Mortgage brokers have pioneered the subprime credit market, using innovative loan packages to allow low-to moderate-income borrowers, with less than perfect credit histories, to start enjoying the benefits of home-ownership. Many low income borrowers with less than perfect credit histories would not have been able to purchase their dream home without the assistance and dedication of a mortgage broker.

Are mortgage brokers lenders or bankers?

Neither. A broker is a real estate financing professional acting as an independent contractor. The range of products and services offered through brokers, and by brokers, is evolving rapidly. There are circumstances when brokers may act as bankers, funding their loans. However, the majority perform origination services up to the point of funding.

Does the mortgage broker really care about the quality of the loan itself?

Yes, absolutely. The safety and soundness of the mortgage lending community is directly linked to the success and integrity of its home loan originations. Furthermore, mortgage brokers represent the single largest residential origination source today, emphasizing that they play a significant role in the mortgage loan process. These numbers highlight the fact that consumers who exercise their choice, choose mortgage brokers; most likely because brokers are dedicated to their customers: consumers, wholesale lenders, and ultimately, American taxpayers.

Should brokers be regulated?

Brokers are regulated by several federal laws and regulations and dozens of state laws and licensing boards. NAMB supports reasonable and fair state and federal regulation of mortgage brokers and lenders. The industry is regulated by 17 federal laws and numerous state and federal regulations.

What role does the broker pay versus the wholesale lender?

The wholesale lender underwrites and funds the home loan, may service the loan payments, and ensure the loans' compliance with underwriting guidelines. The broker, on the other hand, originates the loan. A detailed application process, financial and credit worthiness investigation, and extensive disclosure requirements must be completed in order for a wholesale lender to evaluate a consumer's home loan request. The broker simplifies this process for the borrower and the wholesale lender, by conducting this research, counseling consumers on their loan package choices, and enabling them to select the right loan for their home buying needs.

The mortgage loan process can be arduous, costly, and seemingly impossible to the consumer. The broker works as the liaison between the borrower and the lender to create a cost effective and efficient loan process.

Do brokers work for the wholesale lender or the consumer?

Neither. As an independent contractor, the broker allows wholesaler lenders to cut origination costs by providing such services as preparing the borrower's loan package, loan application, funding process, and counseling the borrower. Brokers help keep loan rates low due to their minimal overhead and setup costs. Furthermore, the broker will seek the loan which best suits the borrower's financial circumstances, needs and goals. From the consumer perspective, with rare exception, the broker does not get paid unless and until the loan closes. Thus, the broker has the ultimate incentive to provide the best possible customer service to the consumer.

Isn't the broker supposed to get the best deal for the consumer?

Since mortgage brokers offer the products of many wholesale lenders they often can offer consumers a wider selection of loan products. This question presumes that anyone can know what is "the best deal." While many would consider "the best deal" to mean "the lowest rate," a loan program with a very low interest rate may not be the best choice for a consumer with limited cash, if that rate comes with high points and fees. A 15-year loan may save a borrower tens of thousands of dollars in interest payments of a 30-year loan, but the higher monthly payments may be acceptable to the consumer. So, "the best deal" for any consumer depends on his financial circumstances, needs and goals.

Today over two-thirds the nation's mortgages are originated by mortgage brokers. This clearly indicates that consumers are choosing the superior options, service, and expertise offered by mortgage brokers. Brokers have forced retail lenders to compete with other loan sources driving down costs nationwide.

Don't brokers "steer" consumers to the wholesale lender who pays the highest fees to the broker?

While isolated instances of adverse steering can occur, the mortgage brokerage industry has predominantly armed consumers with a free-market economy weapon: open and vigorous competition. Any consumer exercising his or her basic right to shop and compare, will ultimately find the loan options that are in his best interests. The combination of government-mandated disclosures and vigorous competition has presented today's consumer with unprecedented levels of choice. While price is an important consideration in advocating a specific wholesale lender, brokers also make their professional recommendations based on a number of other factors which include the lender's:

- reputation for service
- underwriting criteria
- ability to fund a loan on time
- compliance with consumer's requirements

Why do brokers collect fees from both the consumer and the lender? Isn't this a conflict of interest or a duplication of charges prohibited by RESPA?

RESPA allows fees to be charged between settlement service providers, as long as those fees are reasonable for services, goods, or facilities actually provided. Mortgage brokers provide the same services to consumers as do retail loan offices that typically charge the consumer an origination fee. These services include: taking the application, obtaining the credit report and appraisal, counseling the consumer on the loan process, and collecting the necessary documents. Brokers also provide separate and distinct services and facilities to wholesale lenders. These include marketing the lender's products and assembling and delivering the completed loan package.

In addition, lenders may pay brokers a premium -- "yield spread premium" or "service release premium" -- which may include compensation for the services and facilities, but also represents payment for the intrinsic market value of the closed loan. All of these are legal compensation. It is important to remember that regardless of which party compensates the broker (lender or consumer), in almost all cases the broker receives nothing until the loan closes.