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About Mortgage Bankers, Brokers, and Lenders

If you are interested in buying a home or investing in any real estate deal in any state in the US, it is important to understand about mortgage brokers, mortgage bankers and mortgage lenders. A mortgage banker is a lender that is large enough to originate loans and create pools of loans which they sell directly to large companies. Any company that does this is considered to be a mortgage banker. Most true mortgage bankers have wholesale lending divisions.

Some mortgage bankers are associated with a bank and the others are not, but both are most correctly classified as mortgage bankers. A lot of companies call themselves mortgage bankers and some deserve the title. For others, it is mostly marketing. Mortgage Brokers are companies that originate loans with the intention of brokering them to wholesale lending institutions. A broker has established relationships with these companies. Underwriting and funding takes place at the wholesale lender. Many mortgage brokers are also correspondents, which is why many of them also claim to be mortgage bankers.

In recent times, it was somewhat easy to put a term to a lender that accurately described them and the types of mortgages they originated. Time, the S&L problems of the late eighties, and a maturing marketplace have served to "blend" those differences. Some old adjectives barely apply now and are rarely used. Most mortgage bankers and portfolio lenders also act as wholesale lenders, catering to mortgage brokers for loan origination. Some wholesale lenders do not even have their own retail branches, relying on mortgage brokers for their loans. These wholesale divisions offer loans to mortgage brokers at a lower cost than their retail branches offer them to the general public.

The mortgage broker then adds on his fee. The result for the borrower is that the loan costs about the same as if he obtained a loan directly from a retail branch of the wholesale lender.

Banks and other lending institutions have distributed their own products. However as markets for mortgages have become more competitive, the role of the mortgage broker has become more popular. Today in most developed mortgage markets mortgage brokers are the largest distributors of mortgage products for lenders.

However, given the critical nature of the mortgage broker's role, a great number of consumers are now seeking out the services of Certified Mortgage Planners, industry experts that work in concert with Certified Financial Planners to align consumers' home finance position with their larger financial portfolio. The majority of mortgage brokers are regulated to ensure a level of protection for the consumer. The extent of the regulation depends on the jurisdiction.