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Basic Information About Mortgage Brokers

A mortgage broker is an intermediary who sources mortgages on behalf of individuals or businesses. Usually, banks and other lending institutions have distributed their own products, but 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.

Most mortgage brokers are regulated to ensure a level of protection for the consumer. The extent of the regulation depends on the jurisdiction. The nature and scope of a mortgage broker's activities varies with jurisdiction. For example, in the UK anyone offering mortgage brokerage is offering a regulated financial activity; the broker is responsible for ensuring the advice is appropriate for the borrowers circumstances and is held financially liable if the advice is later shown to be defective. In other jurisdictions the transaction undertaken by the broker may be limited to pointing the borrower in the direction of an appropriate lender and no advice given.

Over 80% of home loans issued in the U.S. today are negotiated by brokers. The banks have used brokers to effectively outsource the job of finding and qualifying borrowers, and also to outsource some of the liabilities for fraud and foreclosure onto the originators through legal agreements. During the process of loan origination, the broker gathers and processes paperwork associated with mortgaging real estate. A loan officer acts as the intermediary between buyer and lender. Most states require the mortgage broker to be licensed. States regulate lending practice and licensing, but the rules vary. A mortgage broker is normally registered with the state, and personally liable for fraud for the life of a loan. A loan officer is typically not liable for their actions, and instead works under the umbrella license of their current institution. In addition, loan officer usually connotes someone who works for a lender, and has involvement in the internal processes of a lender. A broker exclusively uses the money of others to fund their loans.

In competitive mortgage markets, many lenders use an array of rate offers and other incentives to attract customers. To many consumers, due to their infrequent purchases of mortgage products, the mortgage market may appear confusing and somewhat daunting. A mortgage broker can guide them through the process of selecting a suitable mortgage and offer mortgage and property related financial advice. For borrowers with poor credit records, or other unusual circumstances, finding a lender may be difficult. A mortgage broker, having specialized knowledge and multiple lending sources, will normally be a valuable resource in obtaining financing. A large segment of the mortgage finance industry is commission based. Potential clients can compare a lender's loan terms to those of others through advertisements or internet quotes.