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## Past and Current Info About Mortgage Brokers

In the 1970s, mortgage brokers did not have access to wholesale markets, unlike traditional bankers. Today, mortgage brokers are more competitive with their access to wholesale capital markets and pricing discounts. A mortgage broker has lower overhead costs compared to large and expensive banking operations because of their small structure.

They can lower rates instantly to compete for clients; however, big companies are less competitive since they provide their sales representatives their fixed rate sheets. The loan officer oftentimes cannot reduce their companies' profit margin and may be higher or lower than the marketplace, depending on the decision of managers. Therefore, mortgage brokers have gained between 60-70% of the marketplace.

Mortgage brokers can obtain loan approvals from the largest secondary wholesale market lenders in the country. The broker will often compare rates for that day. The broker will then assign the loan to a designated licensed lender based on their pricing and closing speed. The lender may close the loan and service the loan. They may either fund it permanently or temporarily with a warehouse line of credit prior to selling it into a larger lending pool.

The difference between the "Broker" and "Banker" is the banker's ability to use a short-term credit line to fund the loan until they can sell the loan to the secondary market. Then, they repay their warehouse lender and obtain a profit on the sale of the loan. The borrower will often get a letter notifying them their lender has sold or transferred the loan. Brokers must also disclose Yield spread premium while Bankers do not. This has created an ambiguous and difficult identification of the true cost to obtain a mortgage. The stricter Broker disclosure requirements, especially the Good Faith Estimate, can often create the illusion that they are charging more to obtain the exact same mortgage when compared to a Banker, when in fact they may cost the same or the Brokers offer may even be less expensive.

Occasionally, they sell the loan, but continue to service the loan. Other times, the lender will maintain ownership and sell the rights to service the loan to an outside mortgage service bureau. Even large companies with a lending license sell, or broker, the mortgage loan transactions they originate and close. A smaller percentage of bankers service and keep their loans than those in past decades. Banks act as a broker due to the increasing size of the loans because few can use depositor's money on mortgage loans. A depositor may request their money back and the lender would need large reserves to refund that money on request. Mortgage bankers do not take deposits and do not find it practical to make loans without a wholesaler in place to purchase them.