

LIBERTY FINANCIAL

A REAL ESTATE LENDING FIRM

WHY USE A MORTGAGE BROKER ?

Why not use a bank or a direct lender when looking for a mortgage? If shopping for a loan was cut and dry, it wouldn't matter whether you dealt with a broker or a direct lender. With so many loan programs and requirements, the lender can make all the difference. Since most people's homes are their largest investment, making a well thought out loan decision is critical.

The main difference between a broker and a lender is that a broker is able to offer loan programs from a myriad of different sources. This means that a broker is better able to find a loan program for a borrower with specialized needs. For example, many direct lenders don't offer loan programs to borrowers with low credit scores, borrowers who cannot prove their income, borrowers who only have a small down payment, borrowers looking to purchase a property for investment, borrowers who have a high amount of existing debt, borrowers who live abroad, and the list continues.

There are lenders for all of the scenarios listed above, and brokers usually know who they are or can find them when they are needed. A direct lender or a bank can only sell you the products that they have. If they don't have the product that may best serve your needs, it is unlikely that you will even hear about it. Without a broker, borrowers wouldn't be educated about the wide array of products available or advised about the benefits and pitfalls of each product. Most borrowers would save a lot of time and effort by using a reputable broker rather than going from lender to lender trying to figure out what will work best for his or her particular situation.

The borrower who falls into the generic market niches that most lenders offer can go to any lender, but their decision should be based on whether they want to spend the time to shop the market themselves or if they would rather have a broker shop the market for them. Many banks lead consumers to believe that using the services of a broker will cost the borrower more money. This is simply not true. Brokers work through the wholesale channels of banks and direct lenders. Since the brokers do the soliciting, counseling and processing for each loan, the lender's work is reduced to a couple of hours. Because of this huge savings, the lender offers the brokers a discounted rate.

That is why brokers can compete with the banks even on borrowers who are financially solid.

If the borrower decides to shop the market on their own, they need to be aware of the many pitfalls that can trap the inexperienced borrower in this market. Here are a few:

- *Loan rates can differ from day to day*, so you can't compare a quote from one lender on Monday with a quote from another lender on Wednesday. Some lenders quote rates on a 15 day lock. If your escrow is 45 days, then a 15 day lock doesn't help you.
- *Rates depend on many different factors* such as type of loan, loan features, property type and value, loan purpose and much more. Unless you disclose all of these factors, the lender may be quoting you a rate that is really not applicable to your specific situation. Often, the person quoting the rate has no idea of whether you will qualify for the product he or she is quoting. The consumer discovers this problem much later when the loan has been viewed by an underwriter. Finding out that you have a problem late in the mortgage process could cost you the home of your dreams.
- *Rates are not guaranteed until they are locked*, but some lenders will offer lower rates to get you in the door and then tell you that you were not locked in and the rates have changed. Unless you know how to avoid phony price quotes, you may get burned. If you don't feel up to the challenge and would prefer an expert to shop for you, call a reliable broker.
- *Most lenders will want to run your credit* before giving you a quote in writing. It is really difficult to quote a rate without knowing the caliber of your credit. Multiple credit inquiries can negatively impact your score, which can make a huge difference if your credit is already marginal. Most times a broker can run just one credit report and shop around to many different lenders with that one report.
- *If the bank is unable to grant your loan for any reason, you have to go find another lender and start the process all over.* This is not true with a broker. Since the appraisal and credit package are owned by the broker, the broker can simply submit your loan to a new lender. This only takes one day and timing can be critical when you are in the process of buying a home.

Brokers are experts at shopping the market and are well-positioned to find the best loan for the borrower's needs. Since successful brokers generally build their business through repeat and referral business, doing a good job for the client serves the broker, too. Brokers are not employees of the lender, so what is in your best interest is often in the broker's best interest.