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What is the Difference between the Several Types of Mortgage Lender

Getting a new home mortgage loan can be a daunting process because there are so many choices to make. One of the first decisions you'll have to make is what type of mortgage lender you want to work with. Believe it or not, there actually is a difference between the major types of lenders. These lenders include mortgage bankers, mortgage brokers, and mortgage loan officers. Knowing the features that set them apart from each other will help you choose the best one for your situation.

Mortgage bankers sell loans in order to invest them on the secondary market. They do not generally have the funds themselves to finance your loan, so they sell many loans, package them up in "bundles" and resell them as securities on the stock market. These are generally considered very safe investments because each security includes parts of several different loans, preventing total failure from any one loan foreclosure. Mortgage bankers may originate loans themselves or they may have a retail lending department that handles all the processing of the mortgage transactions.

A second option is to obtain a mortgage loan from a broker. Brokers do not have their own funds either to pay for your loan. They act as middleman between those that do have the funds, often called wholesale lenders, and those looking for a home loan. Their pay is based on a fee given to them by the lending company for their role in the transaction. One of the great benefits of working with a mortgage broker is that because they represent several different lenders, or investors, they have a lot of flexibility in the loans that they can offer. If they cannot find you the right terms and conditions with one lender, they can try another until they find one willing to offer you what you are looking for. They also deal with lenders who specialize in different types of loans. For example, they might deal with some sub-prime lenders, enabling the brokers to find you a good loan deal if you have poor credit.

You may have some concerns about brokers though because you may have heard that they can often be dishonest and interested only in getting as much money out of you as possible. The truth is that as with any industry, the mortgage broker sector will inevitably produce a few individuals who are shady in their dealings, but overall most are honest and trustworthy. Their business usually depends most on their reputation anyway, so they have great incentive to deal fairly with you.

Finally, you could choose to originate your loan with a loan officer. These are employees of a larger lending institution. While they may have several different loan packages to offer, they are limited by the fact that they only have one lender as their funding source. Loan officers are paid based on commission, usually about one-half of one percent of the loan total. They do not have the power to decrease the price of your loan deal but they can raise the price as much as possible.

Whether you choose a mortgage banker, broker, or loan officer to handle your home loan, make sure you find someone you trust. It is often helpful to ask friends and neighbors for referrals to help you find a good lender. You should also be sure to learn as much as possible about any individual and the company he represents before entrusting your mortgage with him.