

How to Deal With a UMB

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Here are some guidelines for dealing with a UMB.

YOU SHOP FOR A BROKER, NOT A MORTGAGE

When you deal with a UMB, your major focus should shift from shopping the price of the mortgage to shopping for a broker. Once retained, the UMB will shop the market for you. Brokers can shop lenders far better than you, among other reasons, because they are in continuing contact with many lenders.

DON'T BE DECEIVED BY MORTGAGE PRICE QUOTES

You can ask for a mortgage price quote on the day you interview the UMB, but don't base any decisions on it. The price quote you get from a UMB is unlikely to be the best one you hear, because it will be an honest quote. Honest brokers can't compete with "sunshine blowers" who ensnare consumers by quoting prices they cannot actually deliver.

By the time you lock with a sunshine blower, the lower price will have evolved into a higher price. They have a dozen tricks they can use to raise the price once they have you on the hook. Check out [Protecting Against Mortgage Broker Tricks](#).

Keep in mind as well that prices can change every day, and even within the day, so the price quoted, even if honest, will reflect the market only at that point in time. What matters is the price at the time you lock. The UMB will give you the best wholesale price she can find at that time.

PRICING THE UMB'S SERVICES

For their services, UMBs charge a fee that is negotiated at the beginning. Once set, it won't be changed. You are protected against all the tricks of the mortgage broker trade.

When borrowers deal with conventional (non-UMB) brokers, they usually are not aware of the broker's fee at the beginning because the fee is included in the quoted price. The fee is implicit, not explicit, and the broker is not bound by it. Hence, from the day of the initial price quote to the day the loan closes, you must be on your guard.

The UMB may price in any manner: a fixed dollar amount, a percent of the loan, an hourly charge for the broker's time, or a combination of these. Most brokers, however, charge a percent of the loan amount.

The UMB's fee will typically be a significant 4-figure number. You shouldn't let that faze you. For one thing, the UMB is going to pass through directly to you the wholesale rates received from lenders. These rates typically are about 3/8% below the retail rates quoted by lenders. This is the equivalent of an upfront charge of about 1.5 points, or 1.5% of the loan amount. In many if not most cases, this saving will completely cover the UMB's fee. Furthermore, the UMB can save you a lot of money in other ways. Read [Why Select an Upfront Mortgage Broker.](#)

Bear in mind that a one-point fee is \$5,000 on a \$500,000 loan but only \$500 on a \$50,000 loan. Hence, if the UMB's fee is expressed in points, expect it to be higher on smaller loans. You should also expect to pay more if the UMB anticipates that you will be a "tough case" -- for example, you have credit problems that must be cleared up or you can't document your finances.

OTHER FACTORS IN SELECTING A UMB

In selecting a UMB, price is not the only consideration - anymore than it is in selecting a physician, a lawyer or an architect. You should feel free to query the broker about qualifications and experience. If their price seems high, ask why they consider their services to be worth that much. Broker fees (all brokers, not UMBs) average about 2% of loan amounts, though it is smaller on large loans and higher on smaller loans.

It's also good to have referrals but these are not easy to come by in the home loan market, except from real estate sales agents. Sales agents select their brokers largely for their reliability. A UMB referred by a sales agent would be a good bet. Even if the referred broker is not a UMB, the broker might deal with you on UMB terms.

BE PREPARED

UMBs may want to have information about the transaction before quoting a price. The information may be provided in an interview, a questionnaire, or in some other way. Borrowers can facilitate the process by arming themselves beforehand with basic information about the deal.

If they have purchased or contracted to purchase a house, they should bring the documents evidencing the purchase. If they are refinancing, they should bring information on the current status of the existing mortgage, including the loan balance. In both cases, they should bring information on current income from all sources, total available cash, and all current debts including the balance and payment.

THE BORROWER'S COMMITMENT TO THE BROKER

UMBs deserve upfront customers. Upfront customers don't apply for loans with more than one broker. It is deceitful, it wastes your time as well as the broker's, and it is unnecessary. There is nothing wrong with shopping brokers, but after selecting one you should stick with that broker. If that broker fails to provide adequate service, you terminate the relationship and start anew with another broker.

Consumers dealing with conventional brokers don't know the broker's fee until after an application is submitted, which provides some excuse for submitting multiple applications. (See [Is it OK to Submit Two Applications?](#)). But consumers dealing with UMBs know the broker's fee upfront, and therefore have no reason to practice this deceit.

Upfront consumers meet their obligation under a rate lock. When a lender locks the loan, both parties are committed. The lender is committed to delivering the loan even if interest rates jump. The borrower is committed even if rates drop. A borrower who wants to benefit from a lower rate while retaining protection against a higher rate needs to negotiate a “float-down”, as opposed to a lock. A float-down will cost a little more.

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