

What Makes a Good Mortgage Broker? Part II

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Last week I brought you some tips on how to know a good mortgage broker when you see one. Here are some more points to consider when you are in the market for a broker.

Good Brokers Will Not Quote Low-Ball Prices

Accurate pricing depends on a number of borrower, property, and transaction characteristics. If these are not known or used, the price cannot be accurate. Loan originators who quote the best prices possible -- and sometimes even better than the best possible -- with the intent of roping in the customer are low-balling.

Avoid any broker who quotes a price without first quizzing you about loan size, down payment, loan purpose, type of property, use of property, state, credit score, and documentation of income and assets.

Don't tempt a broker to low-ball by requesting a price on the telephone.

Good Brokers Try to Find the Best Price Available

You can't take this for granted because it can be tedious work. Brokers get their prices from wholesalers in the form of very complicated price sheets, all of which are formatted differently, making comparisons difficult. Further, while pricing the loan, the broker must also be mindful of getting the loan approved.

There isn't any very good way to monitor this, but you can ask the broker to show you rate sheets from the lenders he checked. This is not so that you can compare prices -- that would require a lot of instruction -- but simply to verify that the information is there.

Good Brokers Are Masters of Detail

Mortgages have many details that must be attended to before a loan can close. Overlooking even one can delay the closing, which could be costly to the borrower.

Good brokers avoid this danger using the same tool that is standard for airplane pilots about to take off, and increasingly in hospital intensive care units: a checklist. This is a low-tech device that has been shown to save lives, and it can also save a mortgage.

Ask the broker to show you her checklist, but don't expect to be able to keep it.

Good Brokers Keep Their Clients Informed

Failure to keep a borrower informed is one of the most frequent criticisms of brokers that I hear from borrowers, especially on purchase transactions where borrowers are faced with a firm closing date. Brokers often fail to let borrowers know that, while there is no news to report, matters are proceeding on schedule.

Negotiate an agreement with the broker on both the type and frequency of communications.

Good Brokers Attend Closings When Needed

Having a broker attend a closing may not always be feasible because the closing is too far away, and sometimes it isn't necessary because the borrower has been through the drill before. But if the borrower is a novice, having the broker available to help explain things is a major source of comfort.

If relevant to you, ask the broker if she will attend the closing.

Good Brokers Get Documents From Lender Prior to Closing

Obtaining all documents from the lender provides the borrower with an opportunity to read them at their leisure and clarify any issues. This may be more useful to the borrower than having the broker at the closing.

Ask the broker if you will have access to the final documents at least two days prior to closing.

Good Brokers Are Experienced

Mortgage transactions are complicated; there is much to learn, and brokers learn most of it by doing it. While more states are moving toward required examinations as a condition for licensing, the rules are spotty and not to be relied on. It is still possible for a borrower to be confronted with a broker who, a week earlier, was flipping burgers.

Ask the broker to summarize his work experience over the past 10 years.

Good Brokers Communicate Effectively With Borrowers

Poor brokers frequently slip into trade jargon, because they are accustomed to it, and insensitive to the client's lack of comprehension. I never fail to be amazed at mail I receive from borrowers asking me to explain something they were told by their broker. A broker who can't communicate well combined with a borrower afraid of looking stupid is a recipe for trouble.

Don't let a broker assume you understand something when you don't. Mortgages are complicated, but they are not beyond the comprehension of the average borrower, provided they are explained properly. If you don't understand what you are being told, it is because of the poor communication skills of the broker. Try another one.

Good Brokers Are Straight With Their Clients

Here are some broker statements that indicate your broker is not being straight. If you hear any of these, head for the door:

"I have a 1.5 percent mortgage for five years."

"Don't worry about the rate increasing in two years -- I will be there to refinance you into a lower rate before that happens."

"Don't worry about my fee. It's being paid by the lender."