**There are a *few* good apples in the mortgage industry...**

# ...and those good apples are called Upfront Mortgage Brokers®

There are numerous factors that impact the pricing of mortgage loans. This makes the process of shopping for a mortgage loan complicated and confusing for most borrowers. Even knowledgeable and sophisticated consumers often pay more than they should simply because of the complexity of the process.

In addition, there is a conflict of interest between the borrower and the typical mortgage broker. This makes the shopping for a mortgage loan even more difficult for consumers.

Most mortgage experts acknowledge there are primarily two reasons consumers should utilize the services of a mortgage broker. Mortgage brokers have access to wholesale mortgage prices, which translates into better loan pricing. And brokers have superior loan product selection because they utilize numerous lenders.

While mortgage brokers have access to wholesale mortgage prices, a broker rarely provides this price to a consumer. The typical mortgage broker operates like a merchant that buys at one price and sells at a higher price. Brokers can earn on a transaction as much as they can induce borrowers to pay over the wholesale price.

In addition, brokers have the ability to increase the amount of money they make on a transaction based on the type of loan that they can persuade the borrower to select.

The combination of a complex process with a conflict of interest situation results in many consumers paying more than they should for a mortgage loan. And many consumers obtain the wrong type of loan for their situation.

## The Idea

The Upfront Mortgage Broker (UMB) concept was conceived by Jack Guttentag, AKA "The Mortgage Professor". Guttentag is a nationally syndicated columnist, consumer advocate, and well-known expert on mortgage loans. The idea was developed as a result of his experience as a mortgage advisor to consumers.

Guttentag recognized the inherent conflict of interest that exists between mortgage brokers and consumers. Consumers who shopped for a loan utilizing the "best interest rate" mentality would fall victims to the bait and switch tactics prevalent in the mortgage industry. And he realized that mortgage brokers had numerous opportunities during the loan process to increase their compensation at the expense of the consumer.


## The Solution

An UpFront Mortgage Broker operates under specific requirements, as set forth in the "Upfront Mortgage Broker Commitment". By virtue of these requirements, a consumer will receive the benefit of doing business with a mortgage broker who will represent the consumer's best interests.

The key element of the UMB Commitment is the requirement that the fee for the UMB's services be negotiated and established with the borrower at the start of the mortgage process. Because the UMB's compensation is set upfront, the borrower will receive the exact wholesale price with no markup.

At a minimum, the services that a UMB provides will be the same basic services a borrower would expect to receive from a traditional mortgage broker. But because the UMB's fee is established in advance, the information and counsel received from a UMB is objective and impartial

## Utilizing A UMB

The process of shopping for a mortgage loan is different when a UMB is utilized. Instead of shopping for a mortgage loan, the consumer is shopping for a mortgage broker. Once hired, the UMB will perform the shopping for the mortgage loan on behalf of the borrower.

Consumers should go about the hiring of a UMB as they would any other professional service provider, such as an architect or a lawyer. Specifically, one should ask what is the fee for the services? What services are being received for the fee? What are the UMB's qualifications?

**Transparency and no conflict of interest. A mortgage broker whose interests are fully aligned with those of the customer. An Upfront Mortgage Broker.**

# UpFront Mortgage Broker Commitment

1. The broker will endeavor to act in the best interests of the customer.

2. The broker will establish a price for services upfront, in writing, based on information provided by the customer. The price may be a fixed dollar amount, a percent of the loan, an hourly charge for the broker's time, or a combination of these.

The price or prices will cover all the services provided by the broker. If the broker charges a loan processing fee, regardless of whether it is paid directly to the broker or a third party, this fee and the amount will be disclosed to the customer.

On third party services, such as an appraisal, ordered by the broker but paid for by the customer, the broker will provide the invoice from the third party service provider at the customer's request. Alternatively, the broker may have the payment made directly by the customer to the third party service provider.

3. Any payments the broker receives from third parties involved in the transaction will be credited to the customer, unless such payments are included in the broker's fee.

Example - If the broker's fee is 1 point, and the broker collects 1 point from the lender as a "yield spread premium", the broker either charges the customer 1 point and credits the customer with the yield spread premium, or charges the customer nothing and retains the yield spread premium.

4. The broker will use his best efforts to determine the loan type, features, and lender services that best meet the customer's needs, and to find the best Wholesale Price (rate and points) for that loan from a lender with which the broker is approved.

5. After the terms have been locked, and if requested by customer, broker will provide a copy of the applicable lender's rate sheet that reflects the Wholesale Price.

6. When directed by a customer who has met lender lock requirements, the broker will lock the terms (rate, points, and other major features) of the loan, and will provide a copy of the written confirmation of the rate lock as soon as it has been received from the lender. At the same time, the broker will guarantee all fees charged by the lender who locks the rate.

7. If a customer elects to float the rate/points, the broker will provide the customer the best Wholesale Price available to that customer on the day the loan is finally locked from a lender with which the broker is approved.

8. The broker will maintain a web site on which its commitment to its customers is prominently displayed, along with any other information the broker wishes to convey. If the web site displays mortgage prices, the broker will indicate whether the prices are retail or wholesale. If prices are retail, the markup will be shown. If prices are wholesale, a prominent note will indicate that the broker's fee will be an added charge.


**the good apple**

**Upfront Mortgage Brokers Association**

**www.upfrontmortgagebrokers.org**