

the Mortgage Bulletin

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"My best friend is the one who brings
out the best in me."
- Henry Ford

Mortgage broker or direct lender?

Lots of changes have been taking place within the mortgage industry over the last couple of years. Many of the changes are the result of the recent mortgage meltdown.

Lots of new regulations have been enacted, and more are on the way.

As the new regulations come down one by one, speculation grows on who will survive, who will thrive, and who will cease to exist.

Will the major banks gain market share? Maybe it will be mortgage banks that thrive because they are more nimble than the "biggs".

What about mortgage brokers? Will they become extinct, like the buggy whip industry of the past? How can they compete for mortgages with massive corporations like BofA, Chase, Wells, CitiBank?

Truth is -- some of the proposed new regulations are so vague that their impact cannot be calibrated. There are new rules concerning how loan originators can be compensated, for example, that defy interpretation. But these rules have the potential to drastically change the mortgage scene -- to loan originators and consumers.

The only thing we know for sure is that millions of dollars have been spent by the government in preparing the rules and by lenders' attorneys in interpreting them. If it is true that you learn through confusion, loan originators will be the best educated people on the planet very soon.

As best we can interpret the situation, mortgage brokers will survive. And not only will we survive, we may thrive.

We base this assertion on the knowledge that the mortgage broker community is adroit, can adapt to change quickly, and individual loan brokers will continue to be able to offer more mortgage options than

can a loan officer at a bank.

Of the four big banks mentioned earlier, two have thriving wholesale channels accessible to mortgage brokers.

In addition to these institutions, there are regional banks and credit unions with wholesale channels that mortgage brokers can use. And then there are mortgage banks with wholesale channels open to brokers.

So brokers have access to a wide variety of sources, each with a different "flavor". Sure, there are some standard underwriting guidelines, but within these guidelines different lenders have different "overlays" and tolerances.

In aggregate, the wholesale avenues produce a variety of loan products, qualifying criteria, loan to value, maximum loan amounts allowed, and on and on.

Borrowers can go direct to a loan officer at any one of the big banks or other retail mortgage outlets can obtain only the loan products and rates offered by that institution.

And that may be sufficient. However, mortgage brokers can offer essentially the same products and rates as those offered at these retail outlets plus --- many other products and rates that might not be available at that specific bank. Access to rates and programs provided by mortgage brokers can be a huge advantage to borrowers.

The mortgage industry is emerging from a period during which there was virtually no true jumbo financing available. Many wholesale lenders are now bringing great loan products and pricing to market.

And it is our assertion that mortgage brokers are uniquely positioned to provide the broadest set of options, prices, and products to borrowers.



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