

# FUTURE OF THE MORTGAGE BROKER II

What can a mortgage broker do to survive?

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**A**s a follow-up to my previous article regarding the Future of Mortgage Broker Licensing, this article is intended to focus on the long term survival of the mortgage broker.

## IS THE MORTGAGE BROKER UNFAIRLY BEING TARGETED?

As we all know the mortgage broker has been the key focus for state and federal legislation with a significant concentration on licensing and education. I am all for consumer protection, so having some controls and regulations to monitor the industry is not necessarily a bad thing. However, I feel that whatever is put in place needs to be applied equally to all parties in the lending industry who have direct consumer contact.

As new legislation is being implemented, the focus is on the individual mortgage broker. What about the loan officer with less than a year of experience who was just hired by a bank or credit union to originate loans through a retail channel? Is that loan officer going to be required to go through the same education requirements or be licensed? The answer appears to be no, because by virtue of a bank or credit unions exemption status, that bank or credit union loan officer will not need to meet the same requirements as a mortgage broker with 20 years of experience.

Over the years I have seen many bank and credit union loan officers who do not have a clue about lending and the training that they were provided by the bank or credit union was inadequate. So who is better qualified to work with a new home owner or refinance

a mortgage, the new bank loan officer or mortgage broker who was in business before the subprime birth?

## MOST MORTGAGE BROKERS ARE HONEST, ETHICAL AND HAVE INTEGRITY

I am not saying that all mortgage brokers are honest, ethical or knowledgeable, but there are many who are. Remember the saying, “you have bad apples in every bunch”? Thus, regardless of the industry, you have bad actors. In my opinion, over the years the industry has gained a lot of ‘newby’ mortgage brokers who jumped on the subprime train from industries other than lending. These new brokers did not have a clue as to what a mortgage was, what a 1003 is or even how to perform simple tasks of calculating loan to values and debt ratios. They were simply taught to use their sales skills to close a loan.

## THE FUTURE OF THE BROKER AND YIELD SPREAD PREMIUMS

As legislation continues to be considered at federal and state levels, one area of concern is the Yield Spread Premium (YSP) brokers receive from lenders for placing loan with a particular lender. The argument is that a borrower is not being made aware of the YSP and is being misled into loans with higher interest rates. I am not here to provide a fix or solution, or to offer my opinion as to whether borrowers are being taken advantage by brokers who build in high YSP's. However, I will say that whatever is enacted through legislative action needs to be fair for all lending professionals and required in all lending transactions, not



just from a transaction involving a mortgage broker. Loan transactions involving a loan officer working for a bank or credit union who has a similar price markup or overage that affects the interest rate quoted to a borrower should also be required to disclose the overage.

Thus, for the mortgage broker to survive, an even playing field needs to be created between mortgage brokers and retail loan officers

#### **WHAT CAN A MORTGAGE BROKER DO TO SURVIVE?**

Make your voices heard. Not only does licensing legislation create an unfair level of competition between the independent mortgage broker and a loan officer from a bank or credit union, the ultimate victim besides that broker is the consumer who should be protected. Therefore, since stringent requirements are being implemented, in my opinion, the lending industry, including loan officers, should be required to meet the same requirements.

It may also be a time to expand into new strategic markets to take advantage of lenders and brokers who have left the industry. Additionally, mortgage brokers with correspondent lines of credit, with FHA approval capabilities, with in-house underwriting, compliance, auditing, and training all in place may be able to weather the storm and survive.

*George H. Marentis is President/CEO of Compliance Made Simple, LLC, a company that provides licensing services and other compliance related services to the mortgage lending industry nationwide. For more information see [www.compliancemadesimple.org](http://www.compliancemadesimple.org) or call them at 303.859.8550. Mr. Marentis has a Juris Doctorate and over 15 years of mortgage lending experience ranging from frontline operations, origination to regulatory and legislative compliance. Information provided in this article is not intended to be considered legal advice, seek advice from in-house counsel or outside attorney.*