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Selecting a Mortgage Lender

You have several options when selecting your mortgage lender to finance your home purchase or meet your refinancing needs. Mortgage lenders fall generally into 3 categories: Depository Mortgage Lenders, Non-Depository Mortgage Lenders; and Mortgage Brokers.

Depository mortgage lenders include banks and credit unions which accept deposits from their clients and offer non-lending banking services. Non-depository mortgage lenders have no depository capability and specialize only in mortgage lending.   Mortgage brokers arrange mortgage financing with either a Depository mortgage lender or a non-depository mortgage lender. This article will help you understand the differences and benefits to each option.

While they are different types of depository institutions, banks and credit unions are similar when it comes to mortgage lending.   They both generally offer standard fixed rate and adjustable rate mortgages and also may offer government programs such as FHA, VA, Rural Development loans and State Housing Program loans. Depending on the type and size of the bank or credit union, they may offer portfolio loans which are typically for high credit qualifying borrowers with large down payments and/or a unique property or employment and income situation.

Depository mortgage lenders, such as banks and credit unions, are highly regulated and require their employees to be trained for the specific job at hand. A bank or credit union Loan Officer will be well informed and able to answer any questions you may have. Loan Officers employed by a Depository mortgage lender must be registered with the National Mortgage Licensing System (NMLS).

Non-depository mortgage lenders, also known as independent Mortgage Bankers, specialize in mortgage lending.   They typically offer standard, government and state housing programs. Generally, Mortgage Bankers will not have the ability to offer portfolio products, however, it is a good idea to ask as some Mortgage Bankers have relationships with banks or credit unions allowing for the lending of portfolio products.   Generally, non-depository mortgage lenders specialize only in direct mortgage lending so they have the ability to originate many types of mortgage loan programs to meet a wide variety of consumer needs.

Loan Officers employed by non-depository mortgage lenders must meet certain licensing requirements and be licensed under the National Mortgage Licensing System (NMLS). Before Loan Officers can originate loans, they must complete a 20 hour course and pass a state and federal licensing test. Additionally, licensed Loan Officers must complete 8 hours of continuing education per year, above and beyond what their employer may require.

Mortgage Brokers arrange financing; they are not a lender. Nevertheless, they have access to many lenders and can help you find a mortgage loan that is right for your situation. Like Loan Officers at Non-depository mortgage lenders, Loan Officers employed by Mortgage Brokers must meet the rigorous licensing requirements through the NMLS. Typically, a Mortgage Broker only arranges loans so they are likely to be experts on a wide range of loan programs and products. A Broker's compensation is usually paid by the lender; however, it can also be paid by a consumer, but never by both.

Before you shop, reflect on what is important to you in this transaction. This is probably the most important financial decision you will make in your lifetime. Is it the rate that is important to you? Is it the relationship? Customer service? Once you have determined what your priorities are, then shop each type of originator and compare what they can do for you before making a final decision.

Lenders compete for your business. It is a good idea to shop all your options and compare programs, rates, and fees. Don't be afraid to ask questions and see what pricing options are available. All lenders can provide information about the loan programs they offer. When considering interest rates and fees, be sure to compare apples to apples: you can have your closing costs paid by a lender credit which increases your rate, or you can have a lower rate and pay for the closing costs yourself. You don't want to make the mistake of comparing one lender's rate with another lender's rate if the programs you are comparing are not identical as you could come to the wrong conclusion. If you are purchasing, negotiate with the seller to pay some of the closing costs. If you want the lowest rate possible, you may be able to pay discount points to buy the rate down. Don't assume one type of lender is better than another. Shop first and compare.

This information has been provided by the Mortgage Bankers and Brokers Association of New Hampshire (MBBA_NH) in conjunction with the New Hampshire Union Leader. Any questions about the content should be directed to the MBBA-NH at 6 Garvins Falls Road, Suite 106, Concord, NH 03301, email at info@mbba-nh.org. Website mbba-nh.org. Article supplied by Sandra Gausch, NMLS# 1171634, Chief Compliance Officer, Merrimack Mortgage Company, Inc. NMLS ID 2561