

Tucson Citizen

Guest Opinion: Tom Heath

What mortgage brokers really do

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During polite conversation at networking functions, it is customary to discuss one's occupation.

There used to be many mortgage industry representatives at these gatherings, but now I am often one of only a few.

"I am a mortgage broker," I state to my networking counterpart. With that I wait.

Invariably I will receive one of two looks; the look of horror or the look of compassion.

In years past I might get the look of confusion and have to explain my role, but no longer. Thanks to a series of global financial crises, everyone believes they know my role.

The look of horror is because they believe my profession should be eliminated to protect borrowers. The look of compassion is because they believe my profession is heading for extinction.

I love both looks.

The look of horror gives me an opportunity to present my defense.

As a mortgage broker, I offer the products of many lending institutions. I do not establish the guidelines, nor do I underwrite the file.

My role is to match the situation of the borrower with the criteria of the lender, providing an opportunity for both.

As a mortgage broker, I work with the lenders' wholesale departments and can offer

rates below what those same lenders are offering directly to consumers. With reduced overhead and a commission-only pay structure, I have more flexibility in my pricing.

Lenders offer me this opportunity because they only have to pay me if the loan closes. They do not have any operational costs associated with my office or business, so if I do not produce closed loans, they do not pay.

In their own branches, they have to adjust pricing to account for a myriad of expenses like office space, utilities, payroll, supplies, insurance, marketing, etc.

As a mortgage broker, I keep the market competitive. If the wholesale channel ceases to exist, banks would only compete against other businesses with similar rigid structures.

There would be less incentive for lenders to offer aggressive pricing, because there would no longer be a smaller, leaner business with which to contend.

The look of compassion gives me an opportunity to present my vision.

Certainly, mortgage brokers are under more scrutiny than ever; wholesale channels are decreasing; federal regulations threaten to disadvantage mortgage brokers; agency agreements seek to limit the brokers' participation in the lending process; and agency pricing strategies give the false impression that mortgage brokers charge more for their product.

The wholesale business remains vibrant, however. Participation is down, but that is a necessary good that has come from the current challenges.

The days of mortgage salespeople are quickly coming to an end, but the return of the mortgage professional is under way.

Involved mortgage brokers, members of professional organizations, leaders in the community, educators of borrowers, and providers of reasonable products for reasonable costs will survive.

My networking counterpart notices the look of pride because I believe a professional mortgage broker offers a vital service to the community, and I enjoy being an active member in my chosen profession.

Tom Heath is an owner of Rio Nuevo Financial LLC, a mortgage broker, a board member of the Southern Chapter of the Arizona Association of Mortgage Brokers and the vice president of advocacy for the Southern Arizona Mortgage Lenders Association.