

# Money

## What to ask your next mortgage broker

**To survive the shakeout in their industry, lending middlemen will have to act in the best interest of their clients - transparently.**

By Stephen Gandel, Money Magazine senior writer  
May 13, 2008

Dave Pruksa, 41, a Minneapolis publishing executive, went hunting for a mortgage earlier this year but didn't bother with a broker.

Instead he visited several banks and eventually a website, MortgageMarvel.com, which allowed him to see rates from dozens of lenders at once.

"I didn't like the idea of having someone else do my shopping for me," says Pruksa. "I wanted to ask the questions and hear multiple answers and then do the comparison myself."

**Up until now:** What a difference a burst bubble can make. Only two years ago, mortgage brokers originated more than two-thirds of new loans, according to Wholesale Access, a mortgage research firm. Now their share of the mortgage pie has dropped to 45%.

That's a shocking loss of market share when you consider that brokers were supposedly a boon to borrowers. Because they don't work for any one bank, they can shop dozens of lenders on your behalf to get the best loan at the lowest price.

But they seldom did. Instead, brokers pocketed kickbacks from banks in return for selling borrowers unnecessarily costly loans. An April study by the Center for Responsible Lending, a nonprofit organization working to eliminate abusive lending practices, found that among borrowers with credit scores of 640 or less, those who used brokers paid an average of \$5,222 more in the first four years of their mortgage than those who borrowed directly from a bank. Borrowers with credit scores of 640 to 720 paid \$1,316 more.

**The next evolution:** To survive the shakeout in their industry, mortgage brokers will have to do business more transparently. A number of bills before Congress would require them to disclose fees and take on a fiduciary responsibility - that is, represent their client's best interest.

A few large banks are cutting mortgage bankers out of the process. Bank of America has recently said it will make all loans directly to customers. Several websites have arisen to facilitate such direct sales. MortgageMarvel.com, which launched in November, can get you quotes from 280 banks and credit unions around the country and, unlike Bankrate.com, Lendingtree.com and other familiar online names, does not steer you to mortgage brokers.

If you still want help from one, you don't have to wait for the regulators, however. You can insist on reformed behavior yourself. Demand that your lending middleman set his fee in advance - not just what you will pay but also what he will get from the bank, which affects your rate. His or her total fees should not exceed 2% of the loan.

A growing group, referred to as up-front brokers, make a practice of baring all for you. You can find a list of them at [upfrontmortgagebrokers.org](http://upfrontmortgagebrokers.org).