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Top Nine Crucial Errors that Mortgage Brokers Make

1) Meaningless Pre-Approvals

Many mortgage brokers and bankers pay lip service to pre-approvals. They feel incorrectly that since few pre-approvals end up becoming live deals that they don't put any effort into issuing them. They believe that if and when the deal becomes live, that they will do the work then. Works great for the broker to save time but can be disastrous for prospective home buyers and their realtors.

2) Order Takers

Most mortgage brokers are purely "order takers". The Broker determines that the client would qualify for a range of mortgage products such as fixed and variable rate mortgages and Lines of Credit. They explain this to the client and ask them "Which would you like"? There is no guidance here from the supposed expert mortgage broker

3) Prefer Easy Deals

Wouldn't we all! It is only human nature that if you have ten easy tasks and one hard one (which will take up a lot of time), you do the ten easy ones first and leave the hard one to the end. Sometimes, if it is hard enough, it doesn't get done at all. Any excuse will do to avoid attempting it. This can also be true of many mortgage brokers

4) Understanding Lender Guidelines

Understanding different lender guidelines is crucial to be successful in this business. Many Lenders keep a close eye on broker funding ratios. This ratio is calculated based on the deals sent to the lender versus the number that fund or close. If a broker fund ratio is too low, the lender may cut the broker off and not accept any further applications. The key to keeping this ratio high is to fully understand the lender guidelines so that the majority of deals sent in are approved. This approach also cuts down on time being wasted and efficiencies improved for all.

5) Rate Focus

There are many other things to consider when determining which lender and which mortgage product to recommend to a client, other than rate. While rate is important, it is not the be all and end all. Unfortunately many mortgage brokers are taught to sell only based on rate and not what is necessarily best for the client.

6) After-sale Follow-up

A great number of mortgage brokers are great at talking with prospective clients and satisfying their mortgage needs. The question becomes what happens after the mortgage is funded and the client has moved into their new home. It is greatly advantageous for all involved (the client, the realtor and the broker) if the broker follows up with meaningful information for years after the deal has funded.

7) Rate Discretion

Some lenders (believe it or not) allow the mortgage broker rate discretion. In other words the broker can quote the prospective client a higher interest rate and get paid a higher commission than offering a lower rate and getting paid less. Of course, this discretionary pricing is NOT disclosed to the client. The mortgage broker gets better paid at the expense of the client.

8) Shotgun Approach

Many brokers don't take the time to understand lender guidelines. So instead they take what I call the Shot Gun approach to lending. Instead of sending the client to the correct lender and only to that lender, they send the deal to multiple lenders and wait to see what comes back. This is incredibly wasteful of everyone's time and can lead to all kinds of problems such as not meeting conditions and being cut off by the lender (See point # 4 above)

9) Not Having a System

All successful business must have a system. A system is a series of internal business processes that allow a business to run effectively and efficiently. When a business is new and only has a few clients, a system may not be necessary. However, once volumes increase, a system is needed to ensure that clients are not "lost", condition waiver dates are not missed and lenders updated with any changes.

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