



What Does a Mortgage Broker Have to Offer?



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Your mortgage broker is essentially the middleman between you and the lender who is willing to extend a loan to help you finance a home purchase. These professionals will do all the work on your behalf to search for the ideal mortgage at an interest rate and terms that suit your financial position. Shopping around from one lender to the next is extremely time consuming; mortgage brokers can take all this added work off your plate to save you time, and eventually save you money in lower interest rates.

What Exactly Does a Mortgage Broker Do?

Once you've agreed to allow your mortgage broker to find the best mortgage rate and terms on your behalf, you will have to supply a variety of important documents. These will include a letter from your employer, an income statement, credit report, and a list of assets currently in your possession. All these documents will help your mortgage broker determine your eligibility to afford a mortgage, as well as what type of rate you would qualify

for. This is essentially the same step that a typical retail bank would take.

After looking over all these documents in detail, your mortgage broker will be better able to determine what type of loan and package would work best for you. This could involve coming up with an appropriate loan amount and loan-to-value ratio (a comparison between the value of your loan versus the value of your property).

Brokers Take the Guesswork Out of the Application Process

The mortgage application process can be a complex one, so your broker will help you iron out all the details and explain all the stipulations of the mortgage in terms that are easy to understand. While a number of lenders will be approached by the broker, only one mortgage application will need to be filled out.

Once all of the necessary paperwork is filled out in detail and completion, your mortgage broker will shop around with many different lenders to find the best rates and terms available. This is the key benefit of using mortgage brokers, as they have the ability to get in touch with a number of lenders and banks within their network.

Loan officers from conventional retail banks are only able to offer loan programs and interest rates from their specific bank. This would significantly reduce the odds of you being able to find out all the other options that are out there. Instead of applying for a mortgage repeatedly with a number of different banks, your mortgage broker will take all of that

legwork out of the equation by approaching various lenders simultaneously on your behalf.

It's your mortgage broker's job to locate the best interest rate customized for you. For instance, if you can't afford any more than a 5% down payment with a 30-year fixed-rate mortgage, your mortgage broker should approach lenders that offer those specific terms.

It should be noted that mortgage brokers will vary in the number of lenders that they have access to within their particular networks, since brokers will need to be approved to work with each lender. Of course, the more contacts that a mortgage broker has, the better.

How Much Does It Cost to Use Their Services?

Unlike loan officers that work for retail banks, mortgage brokers operate independently. As such, they need to be licensed. They obviously need to be paid for the services they offer, but where this payment comes from can either be from you, or the lender. Generally, the fees are more often paid by the lender who has agreed to extend you the loan. The fee charged is basically a small percentage of the entire loan amount, usually between 1% and 2%.

If you are responsible for paying this fee, the amount can either be paid up front, or can be incorporated into the loan payments. Mortgage brokers may offer no-cost loans by using a lender credit, which will essentially increase your interest rate, but get rid of any out-of-pocket costs.

All such fees must be clearly disclosed up front by the lender, and every fee will need to be itemized in detail and explained to you.



The Dodd-Frank Act was implemented recently to regulate how mortgage brokers get paid, and how such fees must be communicated with borrowers. Essentially, the Dodd-Frank Act dictates that mortgage brokers cannot charge hidden fees, or incorporate their payment into the interest rate of your loan. Brokers are also not permitted to get paid for directing you to an affiliated business, nor can they collect payment from both the borrower and the lender. Unless upfront fees were paid, your broker generally will not receive payment unless a deal is successfully closed.

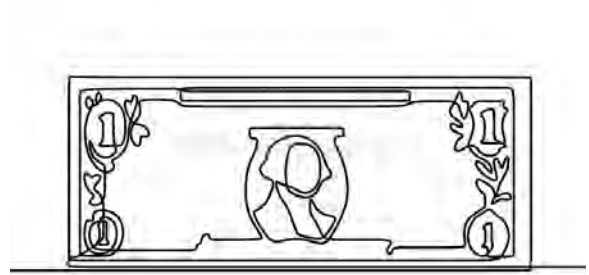
Depending on the size of the loan and the details involved, the fees can vary. As such, it's important to ask questions prior to agreeing to work with a specific mortgage broker.



Will My Mortgage Broker Help Me Get a Better Price and Rate on My Mortgage?

One of the jobs of a mortgage broker is to shop around with a number of lenders to help find one that is willing to provide the lowest rate possible. This is in stark contrast to a retail bank, which will only extend a rate that they have to offer.

Unless there are major issues with your credit or financial history, brokers are much better able to get you a lower rate on your mortgage because they are shopping around with various lenders, as opposed to banks that are only able to offer you their own rates and packages.





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