

The Pros and Cons of Different Mortgage Lenders

Before we discuss the different loan programs, here is an explanation of the different types of mortgage lenders who can issue loan programs to you.

What Is a Mortgage Lender?

A mortgage lender is a financial institution that provides a loan for buyers to purchase real estate. Lenders include banks, credit unions, mortgage companies, brokers and online lenders. Each institution offers many loan products, some of which are the same as all other lenders and some of which are unique to that institution, and buyers can qualify for different loan products based upon their credit, income and financial history.

There are mainly three types of professionals you can work with to obtain your mortgage loan. While all of them offer loans, the way they are licensed, the loans that they are qualified to offer you and the service they provide all differ. From our perspective, one of the most important qualities of a lender is their capability to be available to you and your agent nights and weekends. For every offer you make, your pre-approval letter will need to be customized for that home/loan type. Submitting an offer with the customized pre-approval letter strengthens your chances of getting the home as the seller immediately knows you are qualified to afford the home, and offers are very often submitted on nights and weekends. Ask for their availability during your interview, and ask if you and your agent can have their cell phone number to contact them directly outside of business hours.

Here are the three main types of lenders:

Loan Officer

A loan officer usually works for an institutional bank, credit union or an independent mortgage company that specializes in mortgages.

Pros of working with a Loan Officer

- Offers a very hands-on approach and can be available outside of normal business hours to answer any questions or help you get your loan closed
- Ability to get buyers further down the process before making an offer, which makes offers stronger
- Ability to work with people with uncommon financial situations like self-employed, retired, students or freelance income
- Has access to down-payment assistance programs
- Ability to close loans quickly as they work for the same company as the entire team behind the processes that need to take place for any loan

- Sellers generally prefer offers from buyers who are receiving their mortgage from a loan officer because the loan officer can troubleshoot when transactions go sideways (which they do) and can contact them directly

Cons of working with a Loan Officer

- May only be able to offer you the loan programs that their specific institution provides. Ask if they are aware of other loan programs that may benefit you more than what they have to offer.

Mortgage Broker

As the word “broker” implies, a mortgage broker works as an intermediary between many lenders to find options that work for you. Brokers often work with what is known as “wholesale mortgage companies,” entities which fund mortgages but don’t deal directly with customers. Mortgage brokers will bring your application to multiple lenders and then will earn a fee or a commission from the bank or lender that ends up funding your loan.

Pros of working with a Mortgage Broker

- Provide you with loan options from multiple lenders
- Do the comparison shopping for you

Cons of working with a Mortgage Broker

- Cannot make the final decision of if your loan is approved or not
- Doesn’t work alongside the people closing your loan so no ability to troubleshoot
- Cannot be hands-on with the application and approval process
- Not have as many down payment assistant programs available to you
- Does not have contact with the team who processes the loan so cannot lead the process beyond initial contact

Online Lenders

These lenders have a high-tech application process that’s fast and efficient. Some of these companies are backed up by loan officers who use the online application to easily gather all of your information, but some of these companies use their online platforms to streamline the whole process, so much so that you may not work directly with a loan officer or broker.

Pros of working with an Online Lender

- Fast, streamlined service that will speed up the financing process
- Convenience of working online

Cons of working with an Online Lender

- Lack of in-person customer service and guidance, which can cause delays in closing and make it harder to get help with complex financial situations such as being self-employed or having an unusual debt-to-income ratio
- Difficulty distinguishing legitimate lenders from scams: The online space hosts many reputable lenders, but predatory or fraudulent lenders also exist. It requires careful research to ensure you are dealing with a legitimate company and avoiding potential scams.
- Most don't have offices where you can meet face-to-face with your loan contacts

