

6 Mortgage Industry Flaws
That Could
Cost You Thousands!



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Five Mortgage Secrets That Will Save You Thousands

By Jammony.com

Part One: Introduction

The problem

Getting a mortgage has traditionally been a difficult and confusing process. Based on a recent survey* of homeowners, 81% admit to being confused about the mortgage process and over 90% admit to being surprised at closing when the terms of their financing had changed from what they were quoted. Specifically, borrowers reported that they did not know how to compare interest rates and loan programs, choose the right lender, negotiate their mortgage terms and fees, or hold lenders accountable to their original quotes.

** Results are from a recently conducted Focus Group of homeowners commissioned by Jammony and conducted during the months of August and September 2008.*

As if the process weren't difficult enough, the current economic climate and lending practices employed by brokers in the run-up to the mortgage crisis have left borrowers more unsure and confused than ever. They ask themselves...

- *Is it the right time to buy or refinance my home?*
- *Would I even be able to get a loan right now?*
- *How can I compare interest rates the right way?*
- *Which lenders can I trust?*
- *How do I know the terms are the best I can get?*
- *How do I ensure my mortgage terms don't change at closing?*
- *Does my broker have my best interest at heart or is he just looking to get the best possible commission?*

The solution

To resolve the problems associated with getting a mortgage, borrowers must find a way to:

Get unbiased information about lender qualifications and mortgage options.

Compare loan quotes and terms in an apple-to-apples format.

Protect their identity while shopping for a lender to avoid on-going solicitations.

Negotiate interest rates and closing costs so they the best deal possible.

Hold the lender accountable.

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Part Two: Six Fundamental Mortgage Industry Flaws

We believe that the mortgage industry is flawed in the following fundamental ways:

1. The mortgage process is too complicated for the typical homeowner and too easily manipulated by unscrupulous loan officers.
2. Mortgage broker compensation, by nature, motivates loan officers not to offer homeowners the best possible deal.
3. Lead generation is intrusive, can adversely affect homeowner credit, and exposes homeowners to unnecessary privacy risks.
4. Most loan quotes are based on insufficient or inaccurate information which opens the door to false expectations on the part of the borrower.
5. Underwriting criteria and lending programs are constantly changing creating uncertainty and confusion on the part of the homeowner.
6. There is no consumer facing process that communicates the status of the loan while in process.

Mortgage industry flaw 1: Difficult process

The mortgage process is too complicated for the typical homeowner and too easily manipulated by unscrupulous loan officers.

Mortgage loan quotes are made up of multiple variables that are not understood by the typical consumer. Borrowers aren't able to effectively filter through the thousands of available loan programs and their often unique underwriting criteria.

Personal information is required to get a "real quote" which if required too often, can hurt an individual's credit score.

Borrowers' questions are answered inconsistently among different industry "experts."

Mortgage brokers and lenders can easily hide fees in the quoting process resulting in the consumer to not get the best rate.

Borrowers experience surprises through the mortgage process, especially at closing.

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Borrowers can not easily compare and know that they are getting a good deal on their mortgage.

Mortgage industry flaw 2: Commission based compensation

Mortgage broker compensation motivates loan officers not to offer homeowners the best possible deal.

Most compensation plans for loan officers and mortgage brokers are based on commission structures which, by their nature, motivate them to increase the size and/or interest rate of the loan.

As a result, borrowers frequently pay more then they need to for a given loan.

Mortgage industry flaw 3: Intrusive lead generation

Lead generation is intrusive, can adversely affect homeowner credit, and exposes homeowners to unnecessary privacy risks.

The mortgage lead generation system is structured in a way that confuses the borrower (it's more difficult to go directly to the lender or broker) and requires handsome payments to the lead sources (passed on to the consumer).

Borrower's pay more to cover the cost of "middle-man" marketing.

The system introduces the borrower's personal information to multiple parties creating a potential identity theft risks for the borrower.

By having multiple parties pull credit, the borrower's credit may be adversely affected.

Mortgage industry flaw 4: Inaccurate quoting

Most loan quotes are based on insufficient or inaccurate information which opens the door to false expectations on the part of the borrower.

The mortgage industry does not provide accurate quoting for consumers just wanting to get basic information.

Borrowers get frustrated because they cannot get accurate interest rate information without going through a lender marketing tools which result in lots of phone calls, emails and possible pulling of credit.

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Consumers can't tell when market conditions are such that it makes sense for them to consider a mortgage or refinancing. The industry's use of teaser rates sets false expectations on the part of the borrower.

Most quotes are given with incomplete and/or incorrect information. The consumer is initially led into a false sense of security that results in surprises and disappointment when the terms of the loan are changed as a result of the newly provided information (appraisals, inspections, income docs, etc)

Mortgage industry flaw 5: Changing underwriting criteria

Lender underwriting criteria and loan availability are constantly changing based on changes in market conditions. This can result in reasonable changes to the loan program or can be a haven for lenders, brokers or loan officers to increase personal compensation.

These changes also create uncertainty and confusion on the part of the homeowner. Until the closing, the borrower never really knows if the loan is going to close.

Borrowers experience changes in loan programs midstream and additional information which was not originally requested is often required of the consumer.

Mortgage industry flaw 6: Lack of accountability

There is no consumer facing process that communicates the status of the loan throughout the process.

The borrower has virtually no control over the loan process and is at the mercy of the loan officer.

Insufficient communication almost always results in surprises at the closing.