Broker vs Banker

Two ways to originate a mortgage. The difference comes down to whose name is on the loan, who underwrites it and whose money funds it. Future works both ways.

The short version 01

Side by side

	Broker	Banker
Whose name closes it	The wholesale lender's	The banker's own
Whose money funds it	The wholesale lender's	The banker's, usually from a warehouse line of credit
Who underwrites	The wholesale lender	The banker, or the investor before closing
After closing	The lender keeps or sells the loan	The banker sells the loan to an investor
How the company earns	Compensation paid by the lender or the borrower, never both	Mainly the gain when the loan sells, plus fees
Main risks	Lower. The lender carries the loan.	Rates moving between lock and sale, and having to buy back a loan with defects

Broker 02

How a broker works

A broker finds the borrower, takes the application, prepares the file and places it with a wholesale lender. The lender underwrites, closes and funds the loan in its own name. The broker's strength is choice: one borrower can be shopped across many lenders.

How a banker works

A mortgage banker closes the loan in its own name and funds it, usually from a warehouse line of credit. It then sells the loan to an investor and repays the line. The banker's strength is control over the closing and the ability to manage pricing through the sale.

A mortgage banker isn't a bank. It doesn't take deposits, and its loan officers are licensed by the states through NMLS.

Our three channels

Each file can go wherever it prices and fits best. The two correspondent channels are the banker side of Future.

Channel	How it works
Broker	The lender underwrites, closes and funds in its own name. We originate and process the file.
Non-delegated correspondent	The investor underwrites the file before closing. We close in Future's name and sell the loan after.
Delegated correspondent (coming soon)	We'll underwrite to the investor's guidelines, close in Future's name, then sell the closed loan.

What changes on a file

- **The name on the note.** Tell your borrower which name to expect on their documents: the lender's on a broker loan, Future's on a correspondent loan.
- **Disclosures don't change.** In every channel the borrower gets a Loan Estimate within three business days of applying and a Closing Disclosure at least three business days before closing.
- **Servicing may move.** A correspondent loan is sold after closing, so the borrower may soon get a notice that their servicer has changed. Tell them up front so it isn't a surprise.
- **Points and fees.** Broker compensation counts toward the Qualified Mortgage points-and-fees limit, usually 3% of the loan. Compensation a lender pays its own employee doesn't.

Start with the borrower

Run the scenario through the pricing engine and weigh these for each file:

- **Price.** Which option gives this borrower the best rate and cost?
- **Fit.** Do the borrower and property meet that investor's guidelines and overlays?
- **Timing.** Can that lender or investor hit the closing date?

Terms to know

Investor	The company that buys a closed loan. In a non-delegated channel it also underwrites the loan first.
Warehouse line	A short-term credit line a banker uses to fund a loan until it sells.
Correspondent	A company that closes loans in its own name and sells them to investors.
Delegated	The correspondent underwrites to the investor's guidelines before closing.
Non-delegated	The investor underwrites before the correspondent closes.
Wholesale	A lender channel that takes loans from brokers. Also called third-party origination, or TPO.
Overlay	A lender's rule that's stricter than the agency or program minimum.
Best execution	The strongest price available for a loan across the eligible options.

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