

# **Ethics**

**For**

# **Mortgage Brokers**

**Presented by:**

**Patty McGill, CMC**

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1. Why did you take this course?



7. What is your criteria for choosing a closing attorney?
- a. They pay you a \$250 referral fee, which covers the referral fee you pay to the Realtor who sent you the deal.
  - b. You are a "silent partner" in the title company
  - c. They are located in your office building and often fill in for your processor if she is out or you have a huge amount of business.
  - d. They always call you during the closing if the numbers do not look right, or if your expected fee does not match what the lender's instructions are to them
8. Is one of the tests of ethical behavior being willing to disclose the bad conduct of others?     Yes     No
9. Under what circumstances would you report the conduct of a colleague that you felt was bad or unethical? Please list a few:

How would you respond to these situations?

1. You take an application on Tuesday morning at 10 a.m. and offer the customer a rate of 6.00 with no broker fee or points. The YSP you are to receive is 1.25% which you disclose to the customer and put on your Mortgage Loan Origination Agreement, which the customer signs. The customer leaves and you return to your office to lock in the loan. Great news -- the lender is now offering you a YSP of 1.75% for the 6% rate. Their rate for receiving 1.25% YSP is 5.75. What do you do?

- a. Lock in a rate of 5.75% and call the customer with the great news that you were able to get them a lower rate, still with no points, and the fee you are earning did not change.
- b. You lock in the 6.00% and make no changes to the Mortgage Loan Origination Agreement.
- c. You lock in the 6.00% and send the customer new disclosures showing that you are now making 1.75% YSP.

2. You're 30 days into processing a loan which you have locked in at 6.00% with a 1.25% YSP. You are ready to send the loan to the lender for final validation, when great news happens -- another lender is now offering 6.00% with 2.00 YSP to you. The new lender is offering a 1.25% YSP with a 5.50% rate. What do you do?

- a. Send the loan to the original lender, who has it in their pipeline and is expecting it, and tell the customer nothing - after all you're giving him what you promised and you're not increasing your fee.
- b. Cancel the loan with the original lender and send it to the new lender at the 6.00% rate with a 2.00% YSP to you. You do not disclose this to the customer as his rate did not change. You were lucky and had a bigger payday.
- c. You send the loan to the new lender, but you also advise the customer that because of market conditions, the new lender is offering a higher YSP to you. You send the customer new disclosures and he closes at 6% - you get paid the 2% YSP.
- d. You advise the customer of great news - you can now get him 5.50% with no increase in fee and you send the loan to the new lender. You collect 1.25% YSP.
- e. You call the original lender and ask him what can be done to make the terms more reflective of the current market, now 30 days from lock-in. The lender agrees to offer you a rate of 5.75% with 1.25% YSP. You advise the customer of what you did and he accepts, graciously, the 5.75% rate.

4. During an interview with a prospect you learn that he is self-employed. And, he has come prepared with his tax returns and gives them to you, which you review. Alas, you see that his reported income will not be nearly enough to qualify for the \$1M loan he wants. What do you do?

a. You tell him that you would not be able to get him approved for a \$1M loan using his current income. He asks about these great "no income" loans he's heard about. You explain that although he would not have to verify his income with tax returns that he should be truthful when stating his income - and since you have already looked at his tax returns, if he disclosed a higher figure, you would not be able to do the loan as that would be fraudulent. You then suggest that he call your good friend and broker colleague but that he not give him the tax returns and ask for a "stated income loan". After he leaves, you call your broker friend and tell him he'll be getting a call from the prospect, and that you expect a .50% referral fee. You are pleased with yourself because you told the truth to your borrower.

b. After seeing the unexpected low income figure on his returns, you slide them across the table and tell him that you will not need them. You calculate what you think the required income will be, and put it on the 1003 without discussing it with him. He signs the application without noticing what you have written down for income. The loan is approved and closes and without his knowing what you did. He did not sign a 4506.

c. You tell him that his income will not be nearly enough to qualify for the \$1M if you tell the lender what is on his tax returns. You also tell him that other programs are available for such situations and that whatever he states on the application is what the lender will use. He is a bit baffled, but you help him out by giving him a suggested income figure, which he re-states to you. You also had him sign a 4506.

d. After reviewing the tax returns and taking a few moments to reflect on how sweet it would be to receive your fee based on a \$1M loan, you tell the borrower that it would not be possible to get his loan approved with his current income. When he inquires about your stated income programs, you advise him that since you now know his actual income, that you cannot help him participate in stating anything other than those figures. Since this was the only inquiry you've had all month, you decide to join your broker friends at a local happy hour - while wishing that the borrower had gone to one of your ethical competitors "first" who would have told him what you told him - and then he might have come to you second for a stated product.



## NATIONAL ASSOCIATION OF MORTGAGE BROKERS

### CODE OF ETHICS

*The members of the National Association of Mortgage Brokers, believing that the interests of the public and private sector are best served through the voluntary observance of ethical standards of practice, hereby subscribe to the following Code of Ethics.*

#### HONESTY & INTEGRITY

NAMB members shall conduct business in a manner reflecting honesty, honor, and integrity.

#### PROFESSIONAL CONDUCT

NAMB members shall conduct their business activities in a professional manner. Members shall not pressure any provider of services, goods or facilities to circumvent industry professional standards. Equally, Members shall not respond to any such pressure placed upon them.

#### HONESTY IN ADVERTISING

NAMB members shall provide accurate information in all advertisements and solicitations.

#### CONFIDENTIALITY

NAMB members shall not disclose unauthorized confidential information.

#### COMPLIANCE WITH LAW

NAMB members shall conduct their business in compliance with all applicable laws and regulations.

#### DISCLOSURE OF FINANCIAL INTERESTS

NAMB members shall disclose any equity or financial interest they may have in the collateral being offered to secure a loan.

## **Professional Standards & Best Lending Practices**

*As an appendage to its Code of Ethics, NAMB's Professional Standards & Besting Lending Practices are guidelines that NAMB members are expected to follow in assisting consumers through the mortgage origination process. Adherence to these standards will assure consumers that the member is acting professionally and without exerting or succumbing to pressure, influence or other tactics that seek to circumvent mortgage industry ethics & professional standards. Some guidelines may go beyond legal requirements, and are designed to emphasize the adherence to principles that consumers should expect when choosing a mortgage broker.*

**As a member of NAMB, we promise to our customers that we will:**

**Offer rates and fees that are not discriminatory based on race, color, religion, national origin, gender, marital status, sexual preference, or disability.**

**Abide by all federal and state regulations pertaining to the mortgage lending industry such as ECOA, RESPA, TILA, FCRA, and Federal Lending Statutes.**

**Disclose accurate information in all solicitations and advertising;**

**Discuss and explain financing program options;**

**Inform you of lockin-in options, and provide you with a written document which states your loan terms and rate, whether floating or locked;**

**Explain all documents of the loan application;**

**Explain all costs associated with the loan transaction;**

**Explain the disbursement of fees collected at application;**

**Explain the loan process, from application to closing;**

**Charge only those fees disclosed or re-disclosed on your Good Faith Estimate;**

**Communicate with you throughout the loan process in a timely manner;**

**Provide to you a written agreement, which explains the nature of our relationship with you and how we are compensated in this transaction.**

**Not engage in or respond to any pressure or influence from any party that seeks to circumvent professional industry standards, guidelines, rules or regulations in a mortgage transaction. We have the right to select all providers of services so long as it is within the scope of industry professional ethics and standards.**