

Regulating Mortgage Brokers

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Sally Duros on March 16, 2007

The real problem with the role of a broker in the mortgage transaction is that the consumer might believe that the broker represents their best interest in getting a good deal when in truth the broker is being paid a premium by the lender for driving up the costs of the mortgage. Unscrupulous brokers will hide these expensive premiums from the borrower.

Today in my **column**, I argue for greater transparency of mortgage brokers. Here in Illinois, members of the **Illinois Association of Mortgage Brokers** encourage self-regulation. Brokers go through a specific vetting and educational process for membership. The IAMB also has proposed a method for tracking loan originations - *after the fact*.

But many mortgage brokers are not members of IAMB. and tracking the transaction after the fact is too late. It is at origination of the mortgage that the harm is done to the mortgage holder.

Bill McNamee, current head of the IAMB, told me last week that he expects the loans that are causing the most problems, the 100% financing, no-income verification loans, will disappear. He also said that the IAMB is working with the Illinois Department of Financial and Professional Regulation on recommendations to make HB4050, the Illinois predatory lending database, more workable and more balanced.

"Hopefully we'll have a new law that will protect consumers over all and not just target consumers who wisely choose to use a mortgage broker," he said.

We hope it will protect consumers, and we hope it's not too late.

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