

Using Ethics as a Marketing Tool

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UpfrontMortgageBrokers.org and Loan.com offer directories of those who have agreed to specific ethics policies.

THE Internet is brimming with mortgage brokers and lenders, but it offers consumers little help in separating good from bad. Now a new Web site, Loan.com, is offering to do some ethical screening on the borrower's behalf.

"There's too much exploitation of borrowers," said Michael Dodge, who oversees Loan.com for Internet Brands, the site's parent company in San Diego. "We're trying to create a trusted marketplace by setting ethical standards."

The Loan.com initiative in some ways mirrors that of a more established organization, the UpFront Mortgage Brokers Association (UpFrontMortgageBrokers.org).

Like the association's site, Loan.com offers a directory of brokers who have agreed to certain ethics policies — most notably, not hiding or changing fees.

Unlike the nonprofit UpFront effort, Loan.com is a for-profit enterprise, earning money by charging advertisers on the site.

Loan.com's "bill of rights" stipulates, among other things, that companies give prospective borrowers "upfront, full disclosure of all lending fees," and they act as borrowers' advocates.

A team of Loan.com employees monitors lenders and brokers by secretly applying for loans from them, and the team also investigates consumer complaints.

In cases of poor customer service or less glaring violations of Loan.com's policies, lenders and brokers will be given a second chance to improve their performance. "But if we find an egregious violation that's proven, we won't need a second violation before they're kicked off," Mr. Dodge said.

To reduce the chances that unscrupulous lenders might initially appear on the site, Mr. Dodge said Loan.com employees interview prospective companies, check their status with the Better Business Bureau and secretly apply for loans to judge their practices and the quality of their service.

So far, Loan.com, which began operations late last month, has more than 50 lenders and brokers listed, including some that are well-known nationally, like Mortgage Capital Associates and Gold Star Mortgage, as well as regional and local companies. The New York City area is fairly well represented, with about 20 companies in Connecticut, New Jersey and New York so far.

Loan.com offers a mortgage calculator and comparison tool that includes the lender's or broker's fees, along with a link for more information.

Lenders on the site said they welcomed the chance to separate themselves from the crowd.

“There should be a level of trust established inherently with customers on the site, as opposed to them going blind on the Net or talking to someone on the street about who they should use,” said Yale Roth, a principal in Net Trust Mortgage in Boca Raton, Fla., a brokerage that also makes loans in New York and Connecticut.

An effective lender or broker, Mr. Roth said, should be able to estimate fees accurately. Title fees — like title insurance, title examinations and fees paid to whoever oversees the closing — are easily estimated.

A second type of closing costs — government recording fees and taxes — varies by state, but experienced brokers and lenders can precisely calculate those costs.

The same goes for appraisals, which vary slightly depending on the type of house in question and the value.

Unscrupulous or careless brokers may underestimate fees to make their loans more appealing. They may also underestimate the escrow costs required by lenders, obscuring actual closing costs. Banks are clear, however, on how many months of escrow they expect borrowers to pay at closing time, assuming borrowers choose to use an escrow account to pay their property taxes and insurance.

“It's kind of nuanced,” Mr. Roth said, “but it's important for clients to know.”