



NYP Home Blog: Real Estate

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Broker beware

If you thought you were eligible to renegotiate your mortgage because of something fishy that happened at the closing table, there's a 98 percent chance that you're right.

At least, that's the word coming from the [Consumer Mortgage Audit Center](#) (CMAC), which just released its findings after examining thousands of mortgages. Apparently, the vast majority of mortgages are potentially eligible for re-negotiation under the Truth in Lending Act -- a law first passed in 1968 -- and the Real Estate Settlement Procedure Act.

According to CMAC, the five biggest violations are:

1. Missing paperwork

This is the most common violation -- in an estimated 98 percent of the mortgages CMAC found that not all paperwork had been properly filed.

2. Bad "good-faith" estimates

If your broker wrote you a lowball estimate of what your monthly costs would be -- or switched rates on you at the last second, resulting in higher closing costs -- you aren't alone. This happened to an estimated 21 percent of borrowers.

3. Incorrect payment representations

If your lender filled out the loan documents incorrectly and didn't disclose all their costs or misrepresented the cost of borrowing money, that's also against the rules. This afflicted 26 percent of the mortgages CMAC reviewed.

4. Not revealing the YSP

One way brokers make their money is by giving borrowers a slightly higher interest rate than the lowest they actually qualify for. The difference in rates -- called the Yield-Spread Premium (YSP) -- goes to the broker. Brokers are required to reveal the YSP within three days of their estimate. A lot of them, however, fail to do so.

5. No documentation of income

Many borrowers had their income numbers fudged to allow them to qualify for much larger loans. And some brokers -- who could then make a bigger commission -- went along with it. CMAC found that a third of mortgages had false income data. -- *Max Gross* http://blogs.nypost.com/re/archives/2009/07/broker_beware.html