

# Mortgage Broker Bonds

Prospective mortgage lenders and brokers must obtain Mortgage Broker Bonds in their respective state of operation before they can obtain a proper license. Broker licenses are typically backed by a state's Department of Banking. These unique bonds provide a guarantee of the broker's license, ensuring that the broker follows all applicable rules and regulations as stipulated by the licensing board or code.

Like other bonds, mortgage broker bonds protect consumers in the event of fraudulent or wrongful practices. These bonds ensure that fines, fees and expenses can be recovered by state officials because of ensuing problems or cases of noncompliance. In particular, mortgage broker bonds help insulate consumers against dishonest practices such as:

- Knowingly approving the borrower for a loan larger than they can afford to repay
- Encouraging the buyer to use fraud during the application process
- Pressuring buyers into certain loan products, including higher risk loans or loans with higher interest rates
- Establishing an interest rate on the basis of anything other than the borrower's credit history
- Charging unnecessary or additional fees
- Deliberately targeting vulnerable or at risk buyers and suggesting cash out refinances

Mortgage Broker Bond forms are provided by each state. Total bond amounts will also shift depending on geographic location, but the minimum is typically between \$10,000 and \$50,000.

Bond rates have changed dramatically in the last two years because of economic volatility nationwide. In the face of broker bankruptcies and defaults, surety companies have tightened their underwriting practices. Competitive rates can prove hard to come by, and many sureties will employ greater scrutiny when examining applications. Others have altered their underwriting practices or willingness to write bonds in some states because of changes in regulations and bond language.

But those who qualify can still obtain solid rates on Mortgage Broker Bonds. The key is finding a bond agency that understands the unique demands and specifications in a given state or marketplace.