

The Power of Local Mortgage Servicing

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Homebuyers place a great deal of emphasis on rate and closing costs when choosing a mortgage lender. And, while there are very important points to compare between lenders, one of the most critical questions to ask is if the lender retains service of their mortgages.

A mortgage lender who offers conventional mortgages gives their clients long term, fixed-rate options and keeps the loan at their financial institution after the loan closes. When a client has a question, has an issue of any kind or needs advice, they can turn to a local resource instead of a long-distance customer service department where problem solving can be elusive.

The benefits start immediately during the application process, with a much less complicated process and clear guidelines. In contrast, when a lender sells servicing to investors, they have additional guidelines which can make it more difficult to qualify for a mortgage. These originating lenders have less control over the transaction, making timeframes difficult to meet, and limited flexibility.

The benefits of local servicing become even more important after the loan closes. In 2017, the Consumer Financial Protection Bureau reported that more than 80% of mortgage complaints were related to misapplication of payments. Regulatory action was leveled against one of the country's largest mortgage servicers for failure to respond to consumer complaints, failure to credit borrower payments, botched escrow accounts, illegally foreclosed mortgage loans, mishandled PMI (Private Mortgage Insurance)...and the list goes on.

Experience shows us that in circumstances where lenders help clients refinance their sold mortgage loan, or pay off large lenders and sub-servicers, clients can be negatively impacted by delayed and inaccurate payoff requests, delayed credit or escrow accounts and the inability to talk to the same person twice when problem resolution is needed.

The first step to finding out who maintains local servicing is to do some research on area lenders. Ask if they maintain their mortgages, service them locally and where mortgage payments are accepted. These questions will leave you better informed to make the best decision that fits your needs.

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