



Online mortgage lenders offer consumers a quick and convenient way to get a home loan. As an alternative to banks, online lenders offer the same mortgage loan services, but enable borrowers to forgo visiting a physical location. However, the lack of person-to-person interaction can be frustrating to some.

In the United States, only one-third of homeowners are mortgage-free. Given the average cost of a home in California is \$440,000, and \$204,500 in Florida, most people are going to need a loan to make their dream of homeownership come true.

So for the majority of us, the first question —as it relates to mortgages—is where to get them? By and large, the options break down into online lenders and banks.

## What Are the Pros of an Online Mortgage Lender?

- Lower Interest Rates and Fees
- Faster application
- Ease of approval

### Lower Interest Rates and Fees

By operating digitally, online mortgage lenders deal with far less overhead than their physical counterparts. Proving the marketing cliché, these lenders are able to ‘pass the savings on to you,’ by way of lower interest rates, closing costs, and fees. Depending on the size of the loan in question, this can mean hundreds to thousands of dollars in savings. Typically, this is a major point that online lenders use to differentiate themselves from the physical competition.

## **Faster Application**

When applying through an online mortgage lender, the time saved can be dramatic. Instead of traveling to make an in-person appointment, the borrower can handle all interactions via the internet. Furthermore, instead of having to find, copy, and fax all necessary documents, customers can simply upload them onto a digital application.

## **Ease of Approval**

When it comes to loan approval, a borrower’s credit score plays a critical role. Conventionally, standard and governmental mortgages have strict lower limits on eligible credit scores. This applies more to bank lenders than to those online. As such, online mortgage lenders are able to provide a bit more leeway when a potential borrower has a lower-than-optimal credit score. This then makes final approval easier to achieve, albeit with the possibility of higher interest rates and penalties in order to ensure repayment.



## What Are the Cons of an Online Mortgage Lender?

- Filling out forms
- Scams
- Customer Service

### Filling out Forms

While it can be appealing to fill out a myriad of financial forms and documents from the comfort of your living room, the risk of errors is much higher than if a professional walked you through them in person. Failing to ask a question, or misunderstanding a form prompt, can end up being costly. In fact, any error could put a borrower's entire application at risk. Even if it is inconvenient, try to call or email the online lender, as that's the best way to eliminate risk.

## Scams

The internet can be a wonderful place, but the ease of anonymity has lead to an array of scams over the years. If an online mortgage lender is offering a deal that sounds too good to be true, then it likely is. These scams can manifest as unusually low interest rates, or as a mandate for any sort of prepayment. In any case, a little bit of due diligence can spare a lot of aggravation down the road. Checking with the Better Business Bureau, or doing a simple Google search, are easy ways of going about this.

## Customer Service

While online lenders' customer service can be as helpful and supportive as the banks', issues can arise when trying to get in contact. It is easy to delay responding to an email, but much harder to ignore someone in-person. By definition, most online mortgage lenders do not have physical locations, so borrowers are limited to digital means of contact. As such, be aware of an online lender's customer service protocols before borrowing, and be potentially willing to be patient in the event of a delay in response.

## Bank Lenders

Until the digital age, traditional brick-and-mortar banks were the most common source of mortgage lending. Compared to online sources, banks have the physical presence associated with legitimacy and interpersonal interactions. That said, their longstanding histories and regulations can also lead to a irritating, bureaucratic experience.

## What Are the Pros of a Bank Lender?

- Physical Locations
- Peace of mind

## Physical Locations

Having one-on-one interaction, especially when it's about money, can be enormously beneficial. Instead of waiting for answers to your emails, bank personnel are always on hand to assist with borrower's customer service needs. Furthermore, bank lenders will walk borrowers through every step of the application process, which includes filling out the myriad of necessary forms.

## Peace of Mind

In the United States, the banking and financial sector is highly regulated. Since 2009, there have been protections against predatory interest rates and other sorts of establishment scams. This has lead to the elimination of both unusually high and low loan interest rates, as well as certain predatory practices. Bank lenders can provide relative peace of mind compared to online transactions, ensuring your financial future is in safe hands.



## What Are the Cons of a Bank Lender?

- Less Lending Flexibility
- Slow application

## **Less Lending Flexibility**

Unfortunately, the same regulations that lend peace of mind also make it harder for those with lower credit scores to obtain a loan. While online lenders possess some amount of wiggle room, traditional bank lenders must be rigid. Due to this comparative lack of flexibility, loan approval with traditional banks is more difficult to achieve.

## **Slow Application Process**

Compared to online mortgage lenders, the regulations put on the bank lending industry has lead to a much slower and tedious application process. As a result, the bank route is not for those borrowers who are looking for instant cash. That said, however, it is meant to ensure the legitimacy of the loan and its terms. As with the regulations, this is meant to protect the borrower.

## **Now I Know the Pros and Cons. What's**

## **Next?**

Regardless of one's specific needs, bank lenders and online mortgage brokers are both able to provide loans for those who qualify. Should knowing the pros and cons not be enough to make a complete decision, it would be wise to begin looking into individual companies and banks.

By our estimation, the top three online lenders are as follows:

- LendingTree
- Sofi
- Loan Depot

Furthermore, three bank lenders to consider are:

- Key Bank
- US Bank
- Citibank

In the event that none of these are quite right for you, then our list of the [top ten online lenders](#) is a great place to continue researching.