

Understanding Third Party Originators (TPOs)

This guide breaks down the basics: what they do, when they're used, how they operate, and why they matter to lenders and borrowers alike.

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A Comprehensive Guide by The Housing Assistant



Introduction

If you've worked in mortgage lending, you've probably heard the term 'TPO' thrown around, especially when talking about brokered or correspondent loans. But what exactly is a Third Party Originator? This guide breaks down the basics: what they do, when they're used, how they operate, and why they matter to lenders and borrowers alike.

What is a Third Party Originator (TPO)?

A Third Party Originator (TPO) is any person or company that helps a borrower apply for a mortgage but does not fund the loan. Instead, the TPO submits the loan to a lender who will underwrite, close, and fund it. TPOs are typically either mortgage brokers or correspondent lenders.

Types of TPOs

TPO Type	Description
Mortgage Broker	Acts as a middleman. Gathers documentation, shops rates, and submits loan to wholesale lender.
Non-Delegated Correspondent	Closes loans in their name, but lender underwrites and funds the loan.
Delegated Correspondent	Originates and underwrites to investor guidelines. Funds loan and sells it after closing.

When is a TPO Involved?

- Anytime a loan is submitted by a mortgage broker or correspondent who isn't employed by the lender
- Most common in wholesale lending
- Often used by small lenders or credit unions that don't have in-house underwriting teams

Why TPOs Matter

TPOs help expand access to mortgage credit by offering more options to borrowers and letting lenders scale without hiring more originators. But they also introduce more risk—so compliance, transparency, and oversight are critical.

Licensing Requirements

- TPOs must be licensed through the Nationwide Multistate Licensing System (NMLS)
- Brokers and correspondents must maintain active licensing in the states where they originate loans
- Loan officers must be individually licensed and linked to their company's NMLS ID
- Many lenders require proof of state licensing, E&O insurance, and annual financials as part of the TPO approval process

THA Tip: Before accepting a loan file, verify that both the company and the LO are licensed in the property state.

Oversight & Operational Differences

- TPOs often handle the early parts of the process (disclosures, borrower communication, uploading docs)
- Lenders handle underwriting, compliance, and funding
- Loans may need more verification of documentation, anti-steering, and fair lending compliance
- Lenders usually monitor TPO performance with scorecards and periodic audits