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The Role of Mortgage Brokers in the Subprime Crisis

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Prior to the subprime crisis, mortgage brokers originated about 65% of all subprime mortgages. Yet little is known about their behavior during the runup to the crisis. Using data from New Century Financial Corporation, we find that brokers earned an average revenue of \$5,300 per funded loan. We decompose the broker revenues into a cost and a profit component and find evidence consistent with brokers having market power. The profits earned are different for different types of loans and vary with borrower, broker, regulation and neighborhood characteristics. We relate the broker profits to the subsequent performance of the loans and show that brokers earned high profits on loans that turned out to be riskier ex post.

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PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs..."



International Trade and Macroeconomics, Summer Institute 2025
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Oleg Itskhoki, Harvard University and NBER
Paul Krugman, City University of New York and NBER
Linda Tesar, University of Michigan and NBER
July 8, 2025

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2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PANEL DISCUSSION

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