

# The Sydney Morning Herald

MONEY BORROWING

## Why you should use a mortgage broker

By [Mark Bouris](#)

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Last week I was involved in an event called National Finance Brokers Day, which made me stop and think. In the midst of historical low rates, more home loan products available than ever before and the real estate market a perpetual topic of conversation for all Australians, I thought we should look at the role of the mortgage broker.

Put simply, at a time when the finance industry has become too complex for most Australians, there is also a low awareness of what finance or mortgage brokers do, and how they can help the borrower.



A mortgage broker puts the borrower at the centre of the process. MARTIN BARRAUD

Let's look at the mortgage market. There are 150 deposit-taking institutions – basically banks and credit unions – in Australia and from just a sample of 91 of them, more than 3000 home-lending products are generated. That's quite some choice right? But it's also a lot of interest rates, terms, conditions, establishment fees and application criteria to sort through. Then there's fixed rate versus variable rate, interest only versus principal plus interest, and whether a package is worthwhile.

I support markets that encourage competition. But along with a lot of participants comes complexity. Not because the product itself is complicated, but because the competition for your business has created differentiation, bonus offers, honeymoon rates, freebies and other inducements.

There's nothing sinister about this; you see the same thing with cars, phones and internet. A lot of competition is always better for the consumer, but only when you have a complete view of the market.

If you use your trading bank for your home loan, you are limiting your scope. And when you go online and do searches for home loans, you have to start comparing. And how do you do that with so many products?

Will your knowledge ever be as complete as the professional who works full time in this market? Who works alongside other real Australians, families, individuals with individual circumstances every day?

When you're a direct customer in a complex market, the process is more supply driven than demand driven. That is, you are forced to deal with what is being offered, rather than putting yourself at the centre of the process.

Using a broker can even this up somewhat: the broker forms a picture of you as a person with a specific situation, and goes to the market. When you have an intermediary working for you, the market bids for your business. You can't really do this as a retail mortgage customer.

When you use a broker you save time and energy, and you are more likely to find a mortgage not only at the lowest cost but with the best features for you. Most brokers not only have professional networks and industry expertise to draw on, they also have software platforms that give them detailed access to a much greater variety of home loan than the average consumer can access.

Brokers don't compete with banks. In fact banks and other lenders support brokers, because lenders want borrowers and brokers have the borrowers. In the United States and Britain, finance brokers are becoming the favoured channel for mortgage lending because paying a commission to a broker is more effective than a lender sustaining a branch network.

If you're looking for a mortgage, try a broker. Check their credentials, ensure they are members of one of the peak bodies and always be honest about your details. And then judge the results for yourself.

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