



WHY CHOOSE A MORTGAGE BROKER

PETER WHITE, CEO OF THE FINANCE BROKERS ASSOCIATION OF AUSTRALIA

We speak to Peter White, CEO of the Finance Brokers Association of Australia (FBAA), to understand the role a broker can play in assisting with the homebuying process.

Q With over half of Australians using a broker to purchase their property, what role do brokers play for homebuyers?

A Ultimately, a broker will always act in the best interests of their client. They are flexible and mobile and will visit their client wherever convenient; they have access to different lenders and can compare the products on offer to provide a selection that really suits the needs of their client; they basically simplify the home loan process, a complex and often alien process, for their client.

Not only can they help evaluate a client's borrowing capabilities and arrange finance for a property, their insight on the market can be invaluable. In addition, they can also arrange other services associated with property purchase, potentially minimising the amount of legwork required for their client.

Brokers are required to be knowledgeable on all of the different loan products available on the market. A broker will look at a wide range of loan product

options that are suitable, and help determine which one is most appropriate. They also have an understanding of lenders' processes and the steps involved. They are able to complete much of the paperwork, working closely with their clients to collate the required supporting documentation, submit the application to the appropriate lender, and manage the process through to settlement.

Q With the majority of prospective homebuyers mistakenly believing brokers charge a fee for service, how are brokers actually paid?

A The majority of brokers are paid commissions by lenders, whether it is an upfront fee, a trail commission (similar to a management fee) based on a fixed percentage of the loan balance, or both. Commissions and fees vary from lender to lender. If you are concerned with the commissions your broker may be earning, ask them upfront - they are required to disclose any commissions they may be earning to avoid any conflict of interest.

Q How do prospective homebuyers find a broker?

A There are many ways to find a broker. The best way is to ask your friends, family or colleagues if they know someone they can recommend, this will likely increase your level of trust.

Alternatively, you can meet with a few brokers and select the one that best suits you.

The broker you choose should be a member of an industry body such as the FBAA. They should also be accredited under the National Consumer Credit Protection Act and have a Certificate IV, preferably a Diploma in Financial Services Mortgage Broking.

Q The recent research suggests 43% of prospective homebuyers are shopping around speaking to more than one broker during the home loan process. Why do you think this might be the case?

A Consumers are looking for a broker that offers excellent personalised service and delivers on their promises. They need to be able to feel they can trust the person who is going to help them with the biggest financial commitment of their lives.

Q Why are brokers important for new home loan applicants?

A Every step a prospective homebuyer takes is a step into the unknown. They don't have to face those challenges alone. Getting a homeloan and buying a property are both complicated processes and a broker is there to simplify and take the legwork out of these processes.