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An Intelligent way to stay informed about the mortgage industry

Why should I use a Mortgage Broker?

For most of us, our ideas about mortgages have been instilled by years of past experience with traditional products in traditional institutions. Long-held beliefs sometimes include the idea that mortgage brokers are only for people who have bad credit or were turned down by a bank. Unfortunately, anyone with this kind of outdated thinking could be losing thousands of dollars! All homebuyers and homeowners can save time and money by enlisting the services of a broker.

A mortgage broker has access to many competing lending institutions, including banks, pension funds, trust companies and even private individuals. Since mortgage brokers do not have to sell the products of any one lender, they can be completely unbiased in recommending a mortgage that has the most attractive rate and features for their clients. While you may arrange a mortgage every five years, a mortgage broker and his or her firm are completing thousands of mortgages each year. This enables them to negotiate better interest rates based on that volume, which can be passed on to their clients.

There are other potential cost savings. On any given day, a particular lender may have a special rate offer for a specific mortgage term. If you are rate shopping on your own and don't know who is sponsoring the offer, you can't take advantage of the special pricing.

At renewal, many homeowners take the renewal quote and choose a term and rate offered by the lender without realizing that a mortgage broker may be able to save them up to one percentage point off the posted rate.

This can translate in thousands of dollars in savings over a five-year term. To ensure you get the best rate, it's best to contact a mortgage broker at least four months before you renew or consider a new home purchase. Starting early can be a money saver because your broker can usually guarantee an interest rate for 90-120 days. Should rates drop in the meantime, you would of course get the lower rate.

If your credit rating is important to you, then you also need to consider that when you shop from lender to lender, there is an accumulation of inquiries on your credit bureau report, affecting your credit rating and ultimately the rate and terms of your mortgage. This isn't the case with a mortgage broker who only does one inquiry yet can still get many competing lenders to quote on your business.

And finally, an important misconception that should be discussed – **fees**. Some people think that using a broker will be costly, and that there will be an upfront fee. In most cases, there is no fee because the lender that provides the mortgage pays the mortgage broker a fee for originating and negotiating the mortgage. As you would expect, a fee may still be charged to clients with impaired credit, or when private money is used, although this compensates for the time and effort required to negotiate the mortgage.

To find out more, visit the Canadian Institute of Mortgage Brokers and Lenders (CIMBL) Web site. www.cimbl.ca.



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