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THE GLOBE AND MAIL 

November 10, 2011

Why use a mortgage broker?

By Gillian Livingston
Globe and Mail Update

It can save you time and ensure you get the best rate for the mortgage you want

Buying her first house and getting her first mortgage was an overwhelming experience for Roslyn Judd.

She had signed a deal to buy a new house, she had put down her deposit, and she was pre-approved for a mortgage. Now she had to sign a final deal with her bank to lend her hundreds of thousands of dollars.

"I had never applied for a mortgage before and I found that [to be] the most intimidating part of the home-buying process, so I was procrastinating," she says. "I think it was the enormity of the money that you are asking somebody to lend you."

Then a friend in the building where she works suggested she check out her company's website, RateSupermarket.ca [<http://www.ratesupermarket.ca>] to compare mortgage rates and talk with one of the mortgage brokers featured on the site.

So she did, and her mortgage broker was able to get her a deal with a seasoned lender whose rate was much better than what her bank had offered.

"It was the best because it was so personal," she says. "It was like someone was holding your hand all the way through the process."

Rona Birenbaum, a certified financial planner with Caring for Clients [<http://www.caringforclients.com>] in Toronto, recommends all her clients seek the help of a mortgage broker when it comes time to buy a house, or refinance or renew a mortgage.

"It's the most efficient way to get the best-priced and best-structured mortgage," she says. "Bottom line."

"So rather than shopping at multiple financial institutions and negotiating with each financial institution and arm wrestling them to give you the best deal, it's one phone call and they do the rest for you."

Vancouver mortgage broker Jessi Johnson [<http://www.jessijohnson.ca>] says a mortgage broker can help you with all aspects of a mortgage, from figuring out how much you can truly afford, to determining the best mortgage product for you, to finding ways to save you money and pay off your mortgage faster.

In addition, you should expect your mortgage broker to review your mortgage a few times a year to see how you can pay it off faster, whether it's still the right product for you, and if it's still competitive. "It's very rare that you're going to get that service from a bank," he says.

For people who are inexperienced with negotiating, who aren't sure what the best mortgage product is for them or have a less-than-stellar credit rating, they can save time, money and hassle by using a mortgage broker, says Ms. Birenbaum.

"For the average person who would maybe not feel comfortable negotiating, who might feel as though they are not in the position to ask for a better rate, they definitely will [save]," she says. "A half per cent over a 20-year mortgage, is tens of thousands of dollars. It could be potentially huge money."

But those interested in using a mortgage broker need to do some research, says Ms. Birenbaum.

The brokers she recommends are people with whom she has developed a professional relationship, and she knows they will do a good job because they've worked with her clients.

"There's a wide range of experience, qualifications and quality in this particular industry," she says. "So reputation and experience are extremely important."

People ask their financial adviser to recommend a mortgage broker, or they can turn to others who recommend their broker.

Mr. Johnson says you should look for someone with several years experience, who is licensed, and has the title AMP - accredited mortgage professional.

Mortgage brokers are regulated provincially so you can check with your provincial regulator [<http://www.caamp.org/info.php?pid=217>] on the website for the Canadian Association of Accredited Mortgage Professionals [<http://www.caamp.org>]. The organization also has an online directory [<http://www.naylornetwork.com/caampdirectory>] that can help your search for a broker.

"Like every industry there are rookies, so be careful when researching your broker, get a good idea about their experience before proceeding," he suggests.

Many brokers now do the bulk of their work online, Mr. Johnson says, and that's not an issue as long as there's enough communication with the client either via e-mail or over the phone - and their online application process is secure.

"To be honest, the majority of our clients don't leave their living room, and I don't blame them," he says.

If a broker asks for a retainer of any sort or any payment made out to them personally, that should be a warning sign, Ms. Birenbaum says.

Mortgage brokers are paid their fee by the lender, not by the person who is using the mortgage broker's service, says Mr. Johnson. "There's no cost for the client."

Be aware though, whether you're doing a new mortgage, a refinancing or renewal, to ask whether there are any legal or appraisal fees, he says. Legal fees for a new mortgage can be about \$1,000, but sometimes a lender may cover both legal and appraisal fees; you just have to ask.

Right now, one of the big questions for those looking for a mortgage is whether to go for a fixed or variable mortgage, says Mr. Johnson. While historically variable mortgages have had better rates than fixed mortgages, that's not necessarily the case right now.

"Any time the fixed and variable rates are very close I do recommend going fixed and they are close right now," he says. Up until recently about 90 per cent of the mortgages he arranged were variable, but now more are fixed.

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