

CAN YOU TRUST THE MORTGAGE ADVICE YOU ARE GIVEN? - Allistar Walker



19/03/10

As a Mortgage Adviser I look back over the carnage of the last 3 years, more with despair that it was allowed to happen than with a 'how did it happen?'

A US financial adviser summed it up this way "We believe that many of today's problems related to mortgages and debts are due to a lack of unbiased advice in the mortgage industry, which has been driven by sales and has turned the mortgage into a commodity".

Banks, our most prudent lenders, continually chased market share ('if we don't do this, someone else will') and some brokers chased commissions. Often an advice based model was not built around the products sold or recommended. Hence some consumers have got into financial 'stook'. Maybe, even with prudent advice, the outcome for some would have been the same because they ignored the advice.

Does this mean Strategic Mortgage Planning?

Yes. Some Mortgage Advisers tend to have deeper relationships and know their clients better because they interact with them more often than their local banker.

A mortgage for most people is one of the biggest impacting financial decisions of their lives. Why shouldn't you have a strategy around this 'product'? Such questions that may need scrutiny are:

- Should I save and repay the mortgage or should all my money go into the mortgage?
- With a little bit of effort, how much more quickly can I pay it off?
- How can I improve my credit score?
- Short term and long term strategies around interest rate movements. Can I take advantage?
- Do I need reserve funding or an emergency fund?
- Which bank would be more responsive to my future needs?

An Adviser may charge a small fee to prepare an analysis for you, taking into account your concerns and needs. This may be money well spent, so that you are armed with all the facts and can move forward with new purpose.

Advisers and Brokers go back to school

This year some 10,000 advisers involved in all aspects of financial advice and products from Financial Planning, Mortgage Advisers and Insurance Brokers, will go back to 'school' to 're-learn' their trade. This is compulsory for all regardless of their previous experience or education. They will spend an average of \$5,000 each to reach the level required to become an Authorised Financial Adviser.

Does this matter to me – Johnny consumer?

Yes. You will find all advisers adopting a more consistent approach to your affairs. Good ones today will be just as good tomorrow but the bad or mediocre ones will either go by the wayside or get better. All advice will need to be justified as this legislation is aiming to give the consumer a more robust service with balances and checks to ensure that Advisers comply. All Advisers will be required to belong to a Disputes and Disciplinary process. A better world is the promise to us all, but will it sort out guys like ASB adviser Stephen Versalko? I doubt it.

Allistar Walker is a Senior Fellow of Financial Services Institute of Australasia and an accredited mortgage/insurance advisor. His full disclosure is available at www.mortgagehelp.co.nz or he can be contacted at 410 6023 and enquiry@mortgagehelp.co.nz.