

## **IS GOING TO A MORTGAGE BROKER BENEFICIAL?**

The New Zealand Mortgage Brokers Association (NZMBA) is advertising their value add proposition on TV around the time slot of the Sunday evening show “Property Climbers” on TV1. Their message is when using a mortgage broker (the trusted professional) make sure they are a member of the NZMBA and displaying that logo. There is also an underlying message that clients and potential clients get the added protection and security when using an NZMBA broker by having a national body that can independently hear any complaints and discipline those members who may have developed unprofessional practises. In other words a NZMBA mortgage broker is accountable both to the NZMBA and also to some extent to the lenders that he/she places business with. Above all they are accountable to you, the consumer.

Worldwide, in developed countries, national bodies have sprung up to encompass advisory groups such as mortgage brokers, to the better benefit of the public. Such bodies set rigid educational and personal standards that must be complied with if a broker or advisor is to remain in the fold. For instance in New Zealand the NZMBA requires each of its members to undergo continued practices training and updating of various lenders product knowledge. Some training will take several days and each practising broker must do a required number of set programmes each year. So it is not all beer and skittles for these guys, they do have to earn their stripes to serve you, the public, better.

A NZMBA broker is required to be impartial, act independently of any lender and in the client’s interests. They must have at least \$1 million in professional insurance cover and comply with the NZMBA code of ethics. This gives you, the consumer, comfort and protection that you might not otherwise get, if you deal with someone who falls outside of these requirements.

Over the last few years there has been some notable publicity surrounding undesirable practices by certain so-called finance advisors or brokers. It has also been noticeable that these people were not members of any organisation and were virtually ‘fly-by-nighters’ who have not earned the title of Advisor or Broker. The onus is on you to check out who you are dealing with. A registered NZMBA broker will be able to provide you with a document giving full disclosure of their qualifications, experience, business associations, time they have been in business and the fact they have a clean legal slate. These disclosures are checked and filed with the NZMBA.

### **Why not just go direct to the Bank?**

This is certainly an option. Some people talk about changing bank staff and others may have a strong affinity with their particular banker, which is good. Banks have lost the public over recent years where now approximately 40% of you (and growing) use mortgage brokers. The reason for this can be many and varied depending on whose point of view you are listening to. Suffice to say there is a growing awareness amongst the public of value using brokers and retaining one person who is consistent with advice, help and service.

A good broker will go that extra mile and in most cases it will not cost you any more than by going direct. It would be expected that a broker has a wider view of the market and its offerings, than an individual bank representative who is generally only

skilled in their own product offering. But it is not just about knowledge and choices, it is about that much maligned and misunderstood word 'service'.

Good brokers will provide a full consultative process. In many cases this may develop into a fully written 'plan' (for which you may be expected to pay a fee) encompassing other financial areas. A banker's income can be affected by the products they sell and therefore potentially affect the advice they give.

You should expect a superior service and a very positive experience. That's what keeps those guys in business. Good brokers have good relationships with the various lenders, which helps you even more.

**But surely it costs more to go with a Broker?**

Most NZMBA brokers currently offer a free service for residential mortgages. Their payment comes from the lender in terms of their arrangements with them. There is always a cost to a lender in obtaining business, whether it is by way of salaries and cars for staff or they obtain business through a broker. In the latter instance the Bank or Lender doesn't have the fixed costs in relation to retaining the broker, as they do with staff, but doesn't necessarily have that broker's loyalty either.

The broker will know what discounts, fee rebates and other perks might be available from a lender at any given time. Effectively, they will bargain for you. Your interests, are their interests, for they want to retain you as a client

Commercial business and non-conforming loans may be different. This will be where the broker has some extra leg work to do to shape and place your deal. Then they may charge. In this case they will be advising you up front.

Summarising, a professional mortgage broker will deliver you a worthwhile service and provide many helpful pointers along the way. They will tell you what you realistically can or can't get and give you adequate reasons. Remember, they are on your side and the public are voting with their feet to say that they want mortgage brokers to stay around, to help keep the lenders honest, while giving that independent, client orientated viewpoint.

Your first meeting with an adviser or broker is an opportunity to suss out their personality and general approach. If they come across as aggressive or gungho, you should move on – enthusiasm is great, pushiness is not. A good adviser/broker has both experience and empathy.

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