

YOUR MORTGAGE MORTGAGE BROKER Checklist

A mortgage broker is an intermediary between borrowers and lenders. Mortgage brokers can help borrowers choose an appropriate loan and assist them in the application process. Mortgage brokers usually don't charge borrowers for their services as they are paid by the lenders with whom they arrange the loan.

If you're planning to use a mortgage broker to help you find the perfect home loan, there is some information you should find out from your broker before you start.

1 Which lenders (and which loans) does the broker have on their 'books'? Some brokers may recommend loans selected from more than 20 different institutions, while others may only consider loans from a couple of lenders. Make sure the broker deals with a spread of lender types (banks, mortgage managers and others). The larger and more varied the array of lenders and the number of loans, the more likely you are to find the most suitable loan for you.

Lenders represented

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2 How does the broker get paid? Make sure that the broker does not let the size of the commission they will be paid by a lender cloud their judgment. While some lenders pay higher commissions, brokers should not favour higher commission-paying lenders over others.

Your notes

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3 What fees does the broker charge? Ask the broker to clearly specify what fees and charges you will incur by using their service. Some brokers charge no fees – they receive a commission from lenders when borrowers take up a loan that was recommended to them. Others will charge you a one-off fee.

Fees

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4 Ask the broker how they compare loans and how they determine which loan is best for you. Comparing loans is not an easy task. Make sure the broker can provide you with a clear explanation of the methodology and criteria they use. If they are unable to do this be wary, as they may be basing their decision on the size of the commission they will receive.

Method of analysis

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5 Find out the comparison rate of the loans recommended to you. This rate takes into account the loan interest rate as well as upfront and ongoing fees and charges to give a better indication of the actual cost of a loan. All brokers should be able to provide you with these rates. If they can't, be sceptical.

Comparison rate supplied

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6 See if the broker is a lender themselves – you don't want a mortgage broker recommending loans to you if they offer their own loans (unless you can be guaranteed that they always recommend the best loans and do not lean towards their own).

Are they a lender?

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7 You are within your rights to ask for proof of professional qualifications, information on the broker's experience or references from other clients.

Your notes

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8 Does the broker have professional indemnity insurance? Make sure they do. It covers them in the event that they are sued for negligence or breach of professional duty. This means if you have to take legal action against them for some reason, they will be insured against this.

Insured with

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9 Ask what privacy guidelines they follow when handling your information.

Do they comply?

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