

Mortgage brokers go the extra mile for borrowers

KATHRYN BOOTHBY
FOR POSTMEDIA NEWS

Len Collins is well-versed in mortgage financing — he owns four houses, so he's had considerable experience. But even so, he says he never goes it alone.

Collins signed his first mortgage deal with a local bank at age 24.

"It was 1988. I was young and had a down payment. Going to the

bank for a home mortgage was the standard thing to do. I didn't shop around because mortgage brokers weren't too prevalent back then."

Collins bought and sold three homes over the next decade and a half. It was at that point he adopted the philosophy that real estate should only be bought, not sold. Around the same time, he met the mortgage broker who would help him assemble the stable of proper-

ties he and his wife own today.

He hadn't had much exposure to brokers to that point. But he needed someone to help build his property portfolio in a cost-effective way with mortgages that matched his personal and economic situation.

"A mortgage is often the largest financial commitment of a lifetime," says Jim Murphy, president and chief executive officer of the Canadian Association of Accredited

Mortgage Professionals (CAAMP). "It's important that consumers have choice, one of which is a mortgage broker who shops the market to find the best product at the best rate for the borrower, whether it's a first mortgage or a renewal."

According to CAAMP research, brokers account for 25 per cent of mortgage deals in this country, says Murphy.

Mortgage brokers are specialists

who have relationships with a wide range of lenders, including banks, credit unions and non-banking institutions such as First National or MCAP, says Murphy.

In eight provinces, brokers must be licensed and registered, secure 'errors and omissions' insurance and disclose the lenders they deal with, he says.

"This has raised the bar on the mortgage broker profession."

Steve Garganis of Mortgage Intelligence, a national brokerage firm, works with 50 different lenders on behalf of his clients. They range between 'A' lenders that offer the best rates; 'B' lenders for those with bruised credit; and 'C' lenders that have the highest rates and are for unique situations, he says.

A 2010-11 Bank of Canada study found that those who use a mortgage broker pay less, on average, than those who negotiate directly with lenders.

The same study found that higher-income borrowers pay more to borrow because they are less inclined to shop around or negotiate a mortgage.

"Brokers do the leg work and make recommendations with the end goal that clients pay the least amount of money to own their own home," says Garganis. But it's not simply about order-taking and shopping for the best rate, he says.

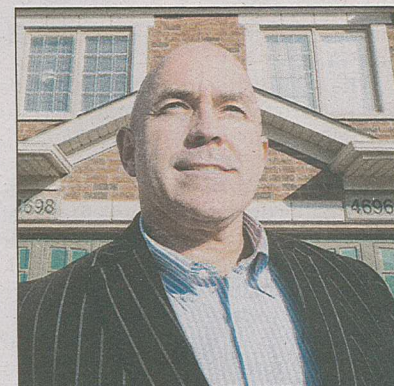
"While interest rate is the biggest factor affecting the cost of a mortgage, it's also about getting the right product, terms and conditions."

For example, someone looking to stay in a home for only three years might not be best served by a five-year fixed-rate mortgage with penalties for breaking the term, he says.

Typically, the service of a mortgage broker is free to borrowers. Commissions are paid by the lending institution once a mortgage is approved and signed.

"While there are slight differences in the commissions paid by lenders," says Garganis, "we're a service-oriented business based on referrals and repeat customers — a small gain is not worth the risk of losing a client."

The ongoing assistance of a broker also comes at no cost to the borrower. This is something Collins values highly.



Len Collins uses a mortgage broker for his stable of properties.

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