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Online home loans changing industry

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Internet savvy consumers are saving thousands on their home loans by cutting out the middle-man and going straight to direct lenders.

Direct lenders such as Ratebusters, MyRate, One Direct and Virgin Home Loans, which operate online and over the phone, are revolutionising the mortgage industry by cutting out brokerage and branch costs and passing the savings on to consumers.

And the savings are substantial, with new player on the market MyRate - which is funded by ING - claiming to save home buyers about \$80,000 on a 30-year loan of \$300,000 when compared with the leading banks.

MyRate general manager Kevin Sherman said consumers are becoming more familiar with using services on the internet.

He said that those who were embracing direct lending had generally done their research and were familiar with the mortgage market.

"The customers typically do the loan themselves over the phone or over the internet with our call centre staff," he said.

"As a result, our cost structure is much more efficient and we're able to deliver one of the lowest rates in the country."

MyRate is currently promoting a standard variable loan with no fees and a rate of 6.70 per cent per annum.

Mr Sherman said both first home buyers and existing mortgage holders looking to refinance were attracted to direct lenders because of the low interest rates.

But while direct lenders may have the advantage of being able to offer low rates, they cannot offer the same level of tailored advice as a mortgage broker.

Customers intending to take out a direct home loan need to have done their research and assess which product best suits their needs.

Certified financial planner and principal of SGI Consulting Group, Serge Giampetrone, said those considering a direct product need to weigh up how much they value professional advice against the potential risks of not getting the advice.

He said consumers should check all details of a loan thoroughly, such as if the product involves costs or restrictions on terminating the loan.


"There are things that online, unless you really navigate through the myriad of documentation, you

may not be able to find out," he said.

He said while the direct products may offer low rates, a mortgage broker has the advantage of being able read through each customer's documentation and assess their individual financial position.

"Online, the help centre relies on you knowing what questions to ask, where as a professional person would ask you the question they know you should be asking," he said.

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