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## Home-loan hopefuls can net big savings through direct lenders

**INTERNET-savvy consumers are saving thousands on their home loans by cutting out the middle-man and going straight to direct lenders such as Ratebusters, MyRate, One Direct and Virgin Home Loans.**

The direct lenders, 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 can be substantial, with new market player 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 says consumers are becoming more familiar with using services on the internet.

He says those who embraced 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. 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 promoting a standard variable loan with no fees and a rate of 6.7 per cent.

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

But while direct lenders could offer low rates, they could not offer tailored advice like mortgage brokers did.

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

Certified financial planner and principal of SGI Consulting Group Serge Giampetrone says 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 thoroughly check all details of a loan - such as costs or restrictions on terminating the loan.

"There are things that, unless you really navigate through the myriad of documentation, you may not be able to find out online," he says. While the direct products may offer low rates, a mortgage broker had the advantage of being able read through customers' documentation and assess their financial position.

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