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Online mortgage sites offer net gains

SEPTEMBER 19, 2006

INTERNET-SMART consumers are saving thousands on their home loans by cutting out the middleman and going to direct lenders.

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 brokerage and branch costs and passing the savings to consumers.

The savings are substantial, with new player MyRate - backed by ING - claiming to save home buyers about \$80,000 on a 30-year loan of \$300,000, compared with leading banks.

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

Those who are embracing direct lending have generally done their research and are familiar with the mortgage market, Sherman says.

"Customers typically do the loan themselves over the phone or over the internet with our call centre staff," he says.

"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 6.70 per cent annually.

First home buyers and existing mortgage holders looking to refinance are attracted to direct lenders because of the low interest rates, he says.

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, 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.

Borrowers should check all details of a loan thoroughly, such as whether the product involves costs or restrictions on terminating the loan, he says.

"There are things that online, unless you really navigate through a lot of documentation, you may not be able to find out," he says.

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Direct products offer low rates, but a mortgage broker has the advantage of being able to read through each customer's documentation and assess their individual financial position," Giampetrone says.

"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.

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