

Be prepared to spend longer getting a top mortgage deal

Saturday, 17 January 2009 | The Australian Financial Review | Tanya Powley

The days of every Australian with a job being able to get a home loan have long gone as the global credit crisis has reduced the number of lenders, and those in the market are much less willing to lend than in the halcyon days before 2007.

Interest rates topped out at a 12-year high of 7.25 per cent last March but, as the funding crisis took hold in the middle of last year, non-bank lenders - the main source of competition in the past five years - quickly disappeared due to their inability to source funding at attractive rates.

Enter 2009 and the mortgage landscape looks very different from that in the corresponding time last year.

The good news is that official interest rates are at a six-year low of 4.25 per cent after the Reserve Bank cut rates by 3 percentage points since last September.

Experts believe the current conditions - falling interest rates, dropping property prices, the federal government's first-home buyer incentives - are creating a brighter outlook for Australian property buyers.

But with many financial institutions unwilling to lend as much as before, combined with a greater scrutiny of loan applications, consumers looking for a new home loan will have to be prepared to spend more time shopping around for the best deal.

The general manager for sales and operations at mortgage broker Australian Finance Group, Mark Hewitt, says: "We've gone from a situation where we've had a panel of around 30 lenders which created quite a lot of competition on price, accessibility and product features, to a point where the funding crisis has caused a number of lenders to withdraw from the market."

The problem with having fewer mortgage suppliers in the market means consumers are likely to have to pay more for their mortgage, have less product choice and find it harder to obtain a home loan.

The credit crisis has created a situation where the Big Four banks now write about 90 per cent of all new loans, compared with 45 per cent at the beginning of 2007.

Opportune Home Loans managing director Paul Ryan says borrowers should make sure they look at what is available across the market, not just at the Big Four.

"A consumer looking for a home loan is desperate for one thing - and that's service," Ryan says.

"Consumers didn't believe they were getting service levels from the major banks back in 2003 and that's where the non-bank lenders came in and helped increase competition in the market."

Borrowers can still get home loans from regional banks, building societies, credit unions and other non-bank players such as Resi Mortgage Corp, FirstMac and Pepper Homeloans.

Do your research

Consumers looking to get a new mortgage this year will have to be prepared to do more research. Borrowers have the option of comparing prices online through comparison websites such as InfoChoice, Canstar Cannex and RateCity, going to a mortgage broker or visiting lenders direct.

While a mortgage broker can help save a lot of time and hassle, it is important to make sure they offer a wide range of home loans from a variety of lenders, not just one or two providers. This will enhance their loan choice.

It is also worthwhile noting that not all mortgage brokers have access to mortgage loans offered through the online subsidiaries of the big banks or online lenders.

Research by consumer group Choice last year found that credit unions and online products can save up to \$46,000 over the life of a mortgage and that these money-saving deals are generally not offered through brokers.

A Choice spokesman says: "While going to a mortgage broker might be simple and give you ideas, they don't always offer the best deals."

RateCity chief executive Andrew Willink says 2009 will show a focus by the big banks on making online applications easier.

"Products with institutions like One Direct are becoming a lot more active and successful in acquiring new customers," he says.

These online lenders, such as MyRate, One Direct, ING Direct and Bankwest, have begun to fill the hole for the cut-price market that was previously taken by non-bank lenders...

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