

## What is a mortgage broker? | Liberty

When you're buying a residential, commercial, or investment property, a mortgage broker can help you get the best loan terms available. Here's a guide to what they do and why you should work with one.

If you're thinking of buying a home or property, an experienced mortgage broker can be a huge asset. It's best to consult a mortgage broker even before you start working with a real estate agent, because you'll know your price range in advance. Mortgage brokers usually have access to a wide variety of lenders, and know which ones cater to borrowers like you. They'll also be there to guide you through the loan application process from start to finish. Read on for more about what a mortgage broker does, and how they can help your property purchase run smoothly.

### What is a mortgage broker?

A mortgage broker is a licensed credit professional who acts as a liaison between a borrower and a bank, credit union, or lending institution. They collect information about a borrower's financial situation, goals, and preferences, and then see what loans they qualify for. People can use mortgage brokers both when they're buying a property and when they're refinancing an existing mortgage. A mortgage broker may work independently, or for a larger brokerage group. Most get paid a commission from the lender, though some charge a fee to the borrower. An ethical mortgage broker will be transparent about costs and fees. Due to recent legislation, mortgage brokers are obligated to act in the borrower's best interest at all times. Their recommendations must be well-founded and appropriate for the client.

### What does a mortgage broker do?

A mortgage broker works with clients to figure out how much they can borrow, and then helps them get a loan that's suited to their needs. Much of a mortgage broker's job is educating people about how different types of loans and loan features work. In today's world, borrowers have lots of choices in terms of customizing their home or property loan. A mortgage broker may know about options you didn't even know existed, and can explain things in a way that's easy to understand.

Usually, the process of working with a mortgage broker starts with getting a preapproval. The broker will gather basic personal and financial information to see what loan amounts, interest rates, and repayment terms the borrower qualifies for. Nowadays, many lenders and brokers offer quick preapprovals on their websites. If you get a mortgage quote online, a broker will usually follow up with you via phone or email. From there, they'll do a more detailed assessment of your finances, give you more precise estimates, and save your information for when you're ready to apply for a loan.

Once you have a preapproval for a given loan amount, you can go shop for a property that's within your budget. When you find the one you want, you can make a purchase offer that's conditional upon your loan approval. At that point, you'll go back to your mortgage broker, who

will fill out your loan application for you. On your end, this usually involves answering additional questions, sending the required identification and financial documents, and signing off on the application. Many modern lenders can handle the entire process remotely, so you don't need to come into an office. If you're refinancing your home, you may need to have a professional valuation done if comparative sales data isn't sufficient.

Once your loan application is submitted, your broker will keep tabs on it as it goes through the underwriting process. They can provide the lender with any additional information they need to make a decision as quickly as possible. Once your application is approved, your mortgage broker will come back to you with a loan offer. Your interest rate may be slightly higher or lower than the one you were preapproved for, but assuming you gave accurate information, there shouldn't be any big surprises. If you accept the loan offer, your mortgage broker will make arrangements for you to close on it when you settle your property purchase.

## **Why should I use a mortgage broker?**

There are several major advantages to using a mortgage broker rather than going to a lender yourself. 60% of Australians now use a mortgage broker, and that percentage is growing. The biggest reason to use a broker is they have access to lots of different lenders, which means more options and more flexibility for you. Big banks and credit unions are less likely to approve loans for non-traditional workers or borrowers with credit issues. If you go directly to the lender, you have to qualify for their product, or you're out of luck. If you go to a mortgage broker, they'll take your information and tell you what you qualify for. And because mortgage brokers are now legally required to act in the best interest of their customers, borrowers have an added layer of protection.

Another reason to use a mortgage broker is that a mortgage is a long-term commitment, and finances change. A good mortgage broker isn't just a one-and-done transactional relationship. Your broker can help you down the line if you need to refinance or move. They can keep you updated when interest rates change and it makes sense to lock in a lower rate. And many mortgage brokers don't just do home loans, they do all types of loans. If you get a mortgage through a broker, you may be able to go back to them if you need a car, business, commercial, or personal loan.

And many people use a mortgage broker simply because they don't want to deal with the headache or awkwardness or dealing directly with the bank. Once a mortgage broker has all the documents they need, they can do a lot of the application legwork for you. And many brokers have existing relationships with different lender's underwriters. They know what a lender will and won't accept, and exactly how the application needs to be submitted. This usually makes the approval process faster than doing it all on your own. And if you're in a time crunch, the turnaround time for loan approval can make or break a property sale.

## **How much does a mortgage broker cost?**

Most mortgage brokers don't cost anything to the borrower, because they're paid commissions by the lender. It's always a good idea to ask your broker how they're compensated if they don't disclose it upfront. Most brokers are paid a commission percentage of .65% - .7% on the total loan amount after the loan is closed. Then they're paid a smaller trailing commission equal to about .15% per annum on the remaining loan amount, paid out monthly for the life of loan. If a borrower defaults on their mortgage, or refinances with another lender, the broker stops receiving trailing commission. This is good for borrowers, since it makes brokers less likely to sell an unsuitable loan for profit.

Some mortgage brokers charge a flat fee or percentage directly to the client. Some brokers do both. Still other brokers get paid a set dollar amount by their employer for every loan closed. But again, most mortgage brokers get paid by the lender, so there's no out-of-pocket expense to the borrower. There may, however, be upfront fees associated with applying for and closing on your loan. You may need to have a professional valuation, for example. Your mortgage broker will let you know about any such fees should they apply.

## **What is a mortgage broker commission or fee?**

Mortgage brokers are usually small businesses or independent contractors, which means they make their living on commissions or fees. Like a real estate agent, a mortgage broker doesn't make money until the deal is done. This is a good thing for borrowers, because their broker is just as motivated to get the loan approved and closed as quickly as possible. And while different lenders pay out different commission percentages, the difference usually isn't all that huge. Mortgage broker commissions are structured in different ways, but closing commission rates have relatively little variation across the industry.

You should always feel free to ask your broker if they'd get paid more on one loan than on another. But even if they would, it may still be the better loan for you, and usually you're not the one paying. Regardless, a reputable broker is more concerned with finding their client the right loan -- not just the most lucrative one. If a borrower gets into a mortgage they can't afford, the broker can lose both commissions and credibility. So while mortgage brokers do usually work on commission, it's usually not paid by the borrower. And working with a broker can save you money in the long run if they find a better deal than you would have found on your own.

## **What questions should I ask a mortgage broker?**

Some good questions to ask a mortgage broker are:

- How many different lenders do you work with?
- How do you get paid?
- Will there be any upfront fees?
- What documentation will I need to provide?
- What is the lowest interest rate I qualify for?
- What is the longest term I qualify for?
- What is the highest loan amount I qualify for with this amount of a deposit?

- Will there be exit fees if I refinance later on?
- Are there things I could do or accounts I could pay off to improve my credit score?
- Can I use a guarantor or cosigner to get better loan terms?
- What loan features can I opt in or out of?
- What are my options if a variable interest rate goes up?
- Can I make extra repayments to pay my loan off sooner?
- Are there property types or features that will affect my borrowing power?

Before you commit to working with any mortgage broker, you should also make sure they are licensed. If they're not, they're operating illegally. Click [here](#) to search ASIC's online registry. Look for your mortgage broker's name under Credit Registered Person, Credit Representative, or Credit Licensee. They should be on one of those lists.

## **How do I find a mortgage broker?**

If you're looking for a mortgage broker, try getting a referral from a friend who was satisfied with their experience. If their broker did a good job for them, chances are they'll do the same for you. You can also go online and submit a few preapproval queries on mortgage brokerage websites. But you shouldn't automatically go with the one that quotes you the lowest interest rate. You may be missing out on loan features you would have paid a premium for. Talk to a couple of different brokers until you find one you like and trust. And if you're self-employed, or your credit score is on the low side, look for a broker who has experience working with similar clients. It's best to be as honest as possible as early as possible with your mortgage broker. That way, what they preapprove you for is what you'll actually qualify for.

At Liberty, we work with a vast network of mortgage and finance brokers to help people from all walks of life achieve the dream of property ownership. We have the flexibility and operating budget to accommodate non-traditional borrowers, and are proud to offer competitive interest rates and personalised terms. If you're not currently working with a mortgage broker or advisor, or you want to learn more about Liberty's lending products, [contact us](#) to explore your options. Liberty is based in Melbourne and serves borrowers from all over Australia. Our friendly and knowledgeable lending professionals are always happy to hear from you and answer any questions you may have as they guide you through the application process. We are proud to have a 5-star rating from Trustpilot, and we genuinely care about helping clients of all ages achieve their financial goals.

**Have questions? Fantastic! Because helping you is our job.  
Call or email today.**

## **About Liberty Financial**

Liberty is a leading Australian lender that offers free-thinking solutions at competitive prices to support customers with greater choice. With a wide range of loans for your home, car, business,

and personal needs, Liberty can help customers get financial even when others say it's not possible. Our innovative and flexible approach has allowed us to help over 600,000 customers by advancing more than \$28 billion in funds over the 23 years we've been in business. We have a variety of flexible and custom products to help borrowers from all walks of life. Whether you are self-employed, have a low deposit or less than perfect credit history, speak to a Liberty Adviser today about our loan options. Liberty is excited to partner with innovative fintechs such as MoneyPlace to offer even more flexibility and innovation to customers and small business owners. We offer a full spectrum of lending solutions for home, car, SMSF, personal and business purposes.