



UNDERSTANDING THE DIFFERENCE BETWEEN MORTGAGE SPECIALISTS AND MORTGAGE BROKERS

Set up Costs:

Specialists work for one financial institution, they do not charge set up fees.

Brokers will charge set up fees and have other hidden costs you should be aware of.

Client Tip: *If interviewing a broker, ask for their set up costs up front. This is not unlike asking your realtor what commission they are going to receive for their service. Ask the broker what their compensation will be for completing your mortgage.*

Product Solutions:

Specialists are just that, they specialize in the mortgage product their financial institution offers. The features and benefits of their product can be individually tailored to the needs of each client. Specialists will be able to answer all specific and detailed questions pertaining to their mortgage which provides huge benefits when matching your mortgage solution to your overall financial plan.

Brokers will "farm out" your mortgage to a number of companies and then will set you up with a financial institution **based on only the lowest rate, no other factors** - can they tell you what the pre-payment and other important options of the mortgage are such as skip a payments, anniversary payments, lump sum payments etc? What type of life and disability options are available?

Client Tip: *Ask your broker to provide you with pre-payment details, skip a payment options, penalty charges for early renewal, payment frequency options, tax account availability and insurance availability – there are only a couple of Canadian Financial Institutions at this time that offer Life and Disability Insurance. Insurance is a pillar of your financial wellbeing; do not underestimate the value without having a detailed discussion with your relationship manager or financial planner. Does the Financial Institution the broker has chosen allow you to have a mortgage that also has a secured line of credit attached, to help you achieve not only your short term goal of buying a house but also future financial goals? Can you set up a separate segment under your mortgage to help with your business write off's, tax savings and much more?*

When "selling" your mortgage, the **broker** and the financial institutions reviewing your file may pull numerous credit bureau requests depending on their software capability.

Client Tip: *Request no bureaus be pulled until you have decided on the institution that will work for you. Once you are satisfied that this financial institution is the one you want to build a long term relationship with, then give permission for the credit bureau to be obtained and a full application to be taken.*

Training and Educational Differences:

Mortgage *Specialists* quite often have extensive experience in the banking and real estate industry that they share with their clients. Mortgage Specialists have quite often worked for the institution they support prior to becoming a Specialist and bring with them many other accreditations. A Mortgage Specialist who is also a Personal Financial Planner is an invaluable asset to the clients they serve, not only ensuring the mortgage is the right solution however they ensure that the payments are manageable and complimentary to their overall financial plan and lifestyle.

Depending on your province, Mortgage *Brokers* must be licensed through the Accredited Mortgage Professionals course. Only this course is required, no financial planning included.

Client Tip: Does your mortgage broker know what your monthly budget is for a mortgage payment? How will this payment affect their holistic financial plan? Have they taken the time to understand your affordability ratio's even if you haven't prepared this for yourself?

Ongoing Relationships/Financial Planning:

Mortgage *Specialists* will not only ensure your mortgage needs fit within your overall financial plan however they will also introduce you to a relationship manager to fit this new acquisition within your other financial obligations. This relationship manager will be there for you on a day to day basis for advice and guidance and also at renewal to ensure the decision of your next term is taken seriously and a full life stage update is completed at that time.

Brokers are neither Financial Planners nor Relationship Managers and cannot fit your mortgage solution together with your overall financial plan. Brokers will not be there in a few months when you need to ask questions about your mortgage or change the terms or conditions... You will have to find a new relationship with the financial institution that "bought" your mortgage ...many times this is 1-800 #

In Summary

Mortgage Brokers can most often find you the lowest rate on the market however by taking advantage of this one time, one term rate offer the client has a price to pay. Without the proper advice and planning up front with a relationship to manage the ongoing strategy you could be adding years of interest to your mortgage which could far outweigh the difference in a few basis points. Remember, the broker is offering you a "loss leader", an attractive one time rate that completes their transaction. Remember, your mortgage is going to last for years to come, the first rate you are being offered is only the beginning....you have to be careful to deal with an institution that will give you a great rate term after term, not just to get you in the door.

For more information, feel free to contact :

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