

Fact Sheet - Negotiating with Lenders

Looking for a competitive mortgage can be a time consuming process.

Using the services of a professional mortgage broker can save you quite a lot of time. However, you may be missing out on savings if your broker doesn't go that extra mile. Here are some tips you might be able to use (particularly if you are trying to get your existing lender to offer a more competitive package).

Interest Rates. Interest rates are often the most negotiated feature of a loan. This is reasonable considering it's the biggest expense. Lenders generally won't discount rates unless they are forced to. Therefore, if you ask for a discount you need make sure you mention an offer (from another lender) which you can ask them to match. Generally, negotiating a good ongoing interest rate discount is better than a discount that just exists for the first year (or so). Generally, the larger lenders have a lower cost of funds and therefore have more ability to discount interest rates than smaller lenders. The average margin in a home loan is 2 percent to 2.5 percent. The maximum discount we have negotiated is 1.15 percent. Offering to bring all your lending with one lender can give you more buying power.

Fees. Most fees are negotiable. However, sometimes lenders outsource certain functions. Therefore, they will have to physically pay for some costs (such as loan document preparation, valuations, etc.). In these circumstances, they may be less likely to waive these fees.

Cross-Sell. Make sure you point out other benefits or services that you may use. For example, you may consider using the lenders other services like financial planning, credit cards, insurance, share trading, etc. Make sure you point this out because the lenders get rewarded for cross-selling other products (and is a good justification to obtain approval for fee waivers and discounts).

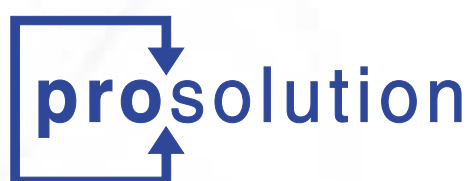
Don't play games. Make sure that you show them you are serious. It can take lenders a lot of time to obtain approvals for discounts and fee waivers. Sometimes they will have to submit written justification to senior management for approval. Most lenders don't mind doing this so long as they know they have a chance of winning your business. So set a realistic target of the pricing you are willing to accept and then say to your preferred lender that if they can meet these expectations they will definitely win your business.

Threaten to leave. It is expensive for lenders to win new clients. They will generally prefer to retain your business rather than lose it. However, sometimes lenders need to be reminded that it is a competitive market. For the most part, customers normally have to threaten to leave before they will start discounting. Therefore, if they say they cannot discount then make sure that they are aware you will leave if they don't.

Sell the future. Talk about future plans. For example, if you plan to purchase investment properties, renovate or anything to increase your lending in the future then make sure lenders are aware of this. Lenders are normally keen to go that extra mile if they know the client will borrow more in the future.

One of the best resources for a person negotiating with their lender are mortgage brokers. Often all it takes is one quick call or email to get a good idea of what deal your lender should be offering. However, be honest with the broker. Tell them you just want some information to negotiate with your lender. If they think you are truly in the market they may waste their time following you up. Remember, you can always contact ProSolution and we'll tell you exactly what you should be offered.

ProSolution. Call us now on **1300 880 224** *Best of all, our service is completely free!*



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