Shopping for your mortgage can save you $20,000...but most people don't!

Every year, Canadians obtain mortgages worth hundreds of billions of dollars yet the typical home owner shops around more for a $500 TV than for their single largest household budget item! While the list of potential lenders now includes Schedule II and III chartered banks, private lenders and mortgage investment syndicates, most people approach only two potential lenders to find the best deal, most often their day-to-day bank and its competitor across the street. The main sources of mortgages in Canada are the Big Banks and mortgage brokers. Here are some things to consider about both.

<u>The Banks</u>

Most people don't enjoy negotiating prices, whether for a car, mutual fund service fees or a mortgage, and negotiating with a bank can be especially intimidating. In a 2013 survey, the Canadian Association of Accredited Mortgage Professionals found that *every one* of more than 2,200 people who obtained a mortgage from a bank received a discount to the posted rate. That's good news, however, the *size* of the discount varied by as much as 1%. The difference between a 2.75% rate and 3.75% is nearly *$20,000* in interest over a 5 year term on a $400,000 mortgage. That's real money, and a lot of TVs!

Home owners often fail to get the best rate from their bank because they believe they're being given the maximum discount. After all, they're already a client, right? But how often have you found that your cable company, for example, gives a better deal to new customers than its long-time subscribers? A banks primary accountability is to its shareholders. Rate discounts can reduce profits so your interests and the bank's may not be aligned. You should be prepared to move your business to a competitor to entice it to provide a better rate. Also, any one bank can offer only its own mortgage products, which represent a very small fraction of the mortgage marketplace.

<u>Mortgage Brokers</u>

Canadians are now nearly as likely to obtain a mortgage through a broker as directly from a bank. A broker works for *you*; their job is to understand *your* goals and they have one primary goal: to find the mortgage that meets your needs at the lowest possible cost. Mortgage brokers essentially shop the lending market on your behalf.

High volume brokers often can often negotiate the lowest possible rates for their clients, often with the same banks they see in their neighbourhood. It's like the difference between going to a car dealer and negotiating a price for a car and being the fleet buyer for a national car rental company negotiating for 500 cars. When a broker consistently brings expertise and professionalism to every one of hundreds of transactions year after year, lenders value its business and its clients get results.

In Ontario, mortgage brokers are regulated by the Financial Services Commission of Ontario.