

Mortgage brokers find a larger niche

BUYERS MARKET

Field widens as competition from banks fades away

By DEREK SANKEY

More than a decade ago, Bob Alexander was working as a professional accountant when he walked into a bank to get a mortgage. When he got turned down, he was completely baffled.

"My friend told me I should go see a broker," Mr. Alexander says. It was a perception that was prevalent at the time: Mortgage brokers were seen as the place you went when the banks turned you down.

Mr. Alexander went to see a broker, secured a mortgage and bought a home. He was so intrigued by this often-misunderstood field that he decided to switch careers and become a broker himself.

"Ten or 15 years ago, mortgage brokers used to be the lenders of last resort," says Jim Murphy, president and chief executive of the Canadian Association of Accredited Mortgage Professionals (CAAMP), the organization that certifies the AMP designation.

"The mortgage broker channel has grown enormously," Mr. Murphy says. "I think the consumer sees it in a much more positive light."

In fact, about 30% of all mortgages in Canada today are secured through mortgage brokers, according to a study from CAAMP. There are 3,800 certified professionals with the AMP designation working across Canada.

When CAAMP introduced the certification four years ago, Mr. Alexander — whose been a broker for eight years now — decided to earn his designation.

Banks used to compete directly with brokers, using their own sales forces to go out and

of continuing education every 12-month cycle to remain current.

"It's really important because a mortgage is the biggest financial investment most people will make in their lives, so they want to make sure the [broker] is knowledgeable, trained, knows the issues and the market and is able to give the consumer good advice," Mr. Murphy says.

Since brokers such as Mr. Alexander have access to 40 lenders offering upward of 400 different products, the field has evolved in recent years to become a viable option for anybody seeking a competitive mortgage.

While he works with the big five banks in Canada, he also taps into other lending institutions such as First National Financial LP and Australian-based lending giant Macquarie Financial (Canada) Ltd.

When anybody walks into Mr. Alexander's office, his job is to match your credit level — A, B, C, or D — with an appropriate lender that caters to the same type or types of customers.

What has changed in recent months, due to the economic recession, is there are fewer D-level lenders around, especially the U.S. banks that ventured north prior to the subprime market collapse last year.

"As a result of the U.S. subprime fallout, a lot of the D-level lenders have vanished," Mr. Alexander says. "A lot of fringe clients are finding it much more difficult to get a mortgage than [it was] two years ago."

Even some of the A-level lenders now require more documentation and verification than previously. "We've seen a general tightening [of credit] right across the board," he says.

Mr. Murphy says in any kind of economy, it's important for potential homebuyers to realize — and utilize — the new brand of mortgage professional.

Mr. Alexander agrees, but cautions people to do a little research, make sure they're comfortable with the person across the table and ask questions. "The first thing you should do is look for someone with that AMP designation," he says.

source new leads. The brokers, meanwhile, would charge their own clients a fee to find them a mortgage.

Now, most banks have chopped those sales forces and instead enjoy a more mutually beneficial deal with brokers, who no longer charge the client a fee.

Mr. Alexander, like other AMP brokers, provides his services free to the client. The lending institution pays him a finder's fee based on the size and type of the mortgage he secures for his clients.

"Lenders out there realize it was actually more efficient to get rid of their in-house sales force and use an independent person like myself to source their leads," says Mr. Alexander, who works for Canada Mortgage Direct in Calgary. "The finder's fee I'm paid is roughly the same across all lenders, so I'm not incented to take you to Lender A over Lender B."

No longer are brokers seen as the last resort, but just another player in the market working to find you a competitive mortgage. It's important for clients to know they're dealing with someone qualified and experienced.

The AMP designation requires two years of industry experience, an entry-level certification course plus 10 hours



CHRISTINA RYAN / CNS

Broker Bob Alexander.