

Why using a bond originator may not be your best option

One of the most important decisions facing prospective home buyers is whether to apply directly to a lending institution, or use the services of a third party bond originator.

While in theory a bond originator will shop around and find the best deal for the buyer, in reality the customer could often end up paying more than he or she should by opting for an originator.

That's the warning from Kevin Penwarden, chief executive of SA Home Loans, the country's largest non-bank mortgage provider.

"The biggest drawback to using a bond originator is that you'll miss out on the opportunity to see what SA Home Loans could offer you. We don't work with bond originators, preferring to pass on the commissions we would have paid them to our customers," says Penwarden.

"As a result, bond originators won't tell you about SA Home loans, so you'll only see offers from the four big banks and lose out on the chance to get a mortgage from South Africa's leading alternative home loan provider. In doing so they're limiting your choice by 25 percent."

In addition to this major disadvantage, Penwarden believes it's no longer a given that a bond originator is able to secure the best rate, even from the limited selection of lenders they do work with.

"There was a time when banks paid quite generous commissions to bond originators. But more recently, they've slashed commissions to third parties and followed our example by focussing on their in-house mortgage teams. As a result you're often more likely to get a better deal from the banks by approaching them directly."

The problem with this option, he says, is that banks have a poor reputation when it comes to one-on-one mortgage applications, often taking weeks to inform buyers whether they've been granted or declined.

"We understand why people prefer to use bond originators, even when they're aware of their shortcomings. They avoid the frustration of dealing with bank bureaucracy and receive a response much more quickly."

The optimal solution

But for Penwarden, the optimal solution is to approach SA Home Loans directly. The customer saves money because the company pays no third party commissions, but also gets the benefit of the company's widely lauded customer service and lightning fast turnaround times.

"Unlike banks, our loans aren't assessed by a computer. We do it the old-fashioned, tried and tested way where each loan is individually assessed by a knowledgeable, sympathetic human being. And we're still able to let applicants know one way or another quicker than the banks."

This may be one reason, speculates Penwarden, that SA Home Loans is often mistakenly identified as a bond originator. "We're most definitely not a bond originator. The only thing we have in common is that we help you avoid the pain of interacting with the banks.

"But we're not a bank either. We're mortgage specialists who are 100 percent focused on offering home financing. We have a distinctly non-bank approach to doing business. We're flexible, approachable and service orientated."

For Penwarden, this means SA Home Loans customers get all the advantages of bond originators and the banks, without any of the disadvantages.

For more, visit: <https://www.bizcommunity.com>