



Online Or Neobanks: Convenience Could Cost You!

As if choosing a property isn't hard enough, there is also the added challenge of selecting the right lender and home loan from the vast number of options available.

Whether it is your first home, upgraded next home, investment property or a refinance, deciding where to finance your home loan can be a tough decision – and rightly so. **There are over 130 lenders in Australia!** Plus, there is the added trend of online and Neobank lending.

More and more Australians are turning to online lenders when taking out a loan. Why? Because of convenience, self-service and low interest rates.

Online banks

An online bank is an organisation that operates solely, or mostly, online. Emerging fintech lenders promise streamlined home loans as easy as 1-2-3 through the digital platform.

Some online banks are backed by larger more well-known traditional banks. For instance, UBank is one of Australia's largest online banks and is backed by the National Australia Bank (NAB). NAB is extending their services by combining UBank with the recent acquisition of Neobank 86 400.

Neobanks

The emergence of Neobanks (digital, app-based banks accessed almost entirely by smartphone) is giving Australians even MORE choices.

Other local Neobank players include Up, Volt, Revolut, Judo, Hay and Tyro – certainly not your traditional banking brands!

Neobanks typically provide their products through apps, many use Artificial Intelligence to provide new product features and some flaunt their apps' seamless payment systems.

The main difference between an online/digital bank and a Neobank is that a Neobank is completely online and does not use any existing infrastructure or systems to operate².

ING and ME are examples of banks using existing banking infrastructure to offer online finance but they are not Neobanks.

Online and Neobank lending sound too good to be true?

Probably because for many, it could be.

Why?

- **Less personalised service** – There is less focus on personal relationships and recommending loans suited to your specific situation.
- **Limited range** – Online lenders generally offer a limited range of products – no frills to keep the interest rates down! Do you really know the product that suits you best?
- **Time consuming** – Comparing online products takes a lot of time.
- **Going solo** – Relying on your own research and knowledge to canvas the available products in the online market place could mean you are less informed. Do you have the time and energy to familiarise yourself with the many home loan options available in the market?
- **Limited advice available** – With less focus on 'back office' customer service, there is less opportunity for negotiation with 'out of the box' applications, especially if you are self-employed or have a less than perfect credit history.
- **A tree-change may be off the cards** – Some smaller online lenders are not able to lend for rural properties.



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By securing an online mortgage, you could MISS OUT on..

- Tailored products and features to meet your needs
- Personalised customer service
- The opportunity to negotiate
- **Choice** – Interest rates should not be the sole deciding factor of a mortgage. Repayment size, fees, charges and features are all considerations that should be taken into account when deciding on a lender and home loan
- **Industry knowledge** – Someone advocating for you to find a lender and product to match your needs and situation
- **Your full mortgage potential** – Without the power to negotiate you could potentially miss out on your dream home
- **Strategic planning** – Clear, considered and planned financial goals

Still wondering if the cost and convenience of online banking is for you?

Contact us for our quiz to find out.

We act in your best interests.

We follow the Best Interests Duty, a statutory obligation that came into effect on 1 January 2021 for mortgage brokers³.

This new duty gives you peace of mind knowing that we are legally required to act in your best interests.

Did you know that Best Interests Duty does NOT apply to a bank?

A lender may sell you a product, but we act in your best interests.

If you don't have a good understanding of the finance industry, it can be difficult to decide on the right mortgage for you. We often find that no one single bank will have the most suitable loan on the market for your specific situation, so it is always best to review loan options from multiple banks.

We act as your advocate. We understand the nuances of lenders' products and policies and are experienced at finding finance most suited to you. Furthermore, we present your application in the best light so you have the best chance of loan approval, avoiding any small oversights that may reduce your chance and making a negative impact to your credit score.

¹ List of Home Loan Providers in Australia | Canstar

² Digital banks in Australia: What's a neobank? | finder.com.au

³ Regulatory Guide 273 RG 273: Mortgage brokers: Best interests duty (asic.gov.au)

Contact us for a copy of
'Should You Use An Online
Lender For Your Home Loan?'

