ASIC Broker Review

Hello,

I run a small mortgage brokerage (2 directors and a personal assistant) and having been watching the ASIC review.  Below is my input into the reviews and some responses to what different parties are stating.

Please note writing these types of emails are not my strong point!

1. Percentage base commissions based on loan size. The majority of clients know what they are willing to spend on their purchase, the know what they are comfortable in spending on the monthly repayment. We as brokers in no way encourage client to increase their loan size. This is ludicrous to think we do this. We work with the client to find a product which suits then and generally find a loan with a lowest possible rate which will reduce their monthly repayments.
2. Percentage base commissions based on LVR. Our majority of our business is high low value (below $400k) high LVR space. This type of lending is difficult and the amount of work which goes into these application is significant. In our view changing the comms paid to a flat fee will be unfair. We believe the percentage based commissions are fair. I think that ASIC should make the commissions received  by broker a standard percentage. I don’t know of any brokers that will go to a lender only due to that lender paying a higher commission.
3. Soft Commissions and bonuses. we 100% agrees with the ASIC report.
4. Trail Commissions. We regularly contact our clients thru marketing and we will also meet them usually once a year to review their existing loans. Majority of times when a client ask us to review their existing facility we will go back to their existing lender and try negotiate a better rate instead of taking them to another lender. If another lender has a product/rate and the client will be better off we will take them to another lender. How often does a bank review their existing clients home loans?
5. Fee for service paid by the client. One of the main reasons why clients use brokers use us is they know our service is free. If we do charge a service I am sure client will go direct to their bank which is what the banks want.
6. The Rice Warner review released today advising commissions should be banned is surprising, coincident that it is released on the last day. Who funded this report?
7. Commissions we received apparently receive in the review are overstated. We do not get paid $4600 per application, generally equates to 50% of that amount.
8. I know that when a client meets with us they will get a better suited product. Even if they have an existing facility in place (thru the branch or another broker) we will always see if their existing product suits them and then always try and negotiate a better rate for that client with their existing lenders first. WE do not receive anything for this BUT we hope the client will recommend our services to other people.
9. The amount of compliance and training we do is significantly larger then what the branch staff are require to do. Do banks compare different lenders and products and provide the client with a credit proposal?

As brokers we work hard, we are small business, we pay rent, we take phone and answer emails after hours and weekends, we liaise with real estate agents and settlement to facilitate settlements and extensions. Does a bank do that? We exist as we provide an exceptional service to the client and guide them thru the mortgage maze. We bring business in for the banks BUT they don’t appreciate that. I personally believe their end goal is to have brokers taken out of their market, they know they will increase their profits (due to not paying commissions) if this happens and will also increase their margins on their loans. The client will NOT be better off as they won’t have a broker who can generally provide multiple better suited products.

As a small broker and business manager that’s my thoughts on the whole review.

We are happy with the ASIC report and believe this report was accurate.

Thanks,

*Kind regards,*

*Harj Dhillon*

Harj Dhillon | Director | Finance Broker