ASIC REVIEW OF MORTGAGE BROKER REMUNERATION

Hi there,

I would like to make a submission in regards to incorrect information in this review.

Finding 30.

We found that commissions may be paid in a way that could result in

product strategy conflict. In general, because commissions are linked to the

size of the loan, the more that a consumer borrows, the more the broker will

be paid. In practice, we found it common for remuneration structures to pay

commission on the total amount of borrowing approved, rather than the

amount of funds actually drawn down.

This point is not correct. Lenders pay between .50% and .70%+ GST on all loans regardless of whether it’s a $100,000 loan or 1 million dollars.

So what you’re saying in finding 30 is just not true! Where is the real evidence commissions are specifically linked to loan size?

You may get a client who borrows an extra 100k for future investment and then fully offset it until they need the funds. So I would get paid on 100k up front, but this is not something that happens often and if it does there’s a legitimate strategy around it. So wherever you got this information from its wrong. Also the trail is paid on the net balance, so the broker gets $0 trail in this scenario anyway.

Finding 32

We also found that the standard commission structures are likely to result in a higher level of lender choice conflict as there is significant variability in the value of commissions paid by different lenders. Even when limiting our review to the commission rates paid only by ADIs, the differences in rates of upfront commission paid to individual broker businesses tended to vary between lenders by at least 0.10%, while variations of up to 0.30% were not uncommon. An increase of 0.10% commission on a $500,000 loan equates to an extra $500 paid to the broker business. These differences were also evident for trail commissions, where variations in the rates of commission tended to be between 0.05% and 0.15%

Again this is not true. NAB for example pay .66% including GST, then CBA pay .71% including GST. On every 100k that is only a difference of $50. Why on earth would I go to CBA over NAB for an extra $50 if NAB was actually better for the consumer? I get a lot of my business from word of mouth, and I put my clients with the most suitable lender for them, not based on how much I get paid. Also mortgage choice for example pay the same for each bank. So this accusation of brokers choosing one lender over another for to get paid more commission is a myth and ASIC should get their facts straight, because this is offensive and a total lie.

The average broker only earns about $52,000 per year at the aggregator connective for example. So why don’t you investigate real estate agents who are earning up to 3% on the same transaction for putting an advert on realestate.com and opening the door at an open home.

Yet ASIC go after people like me as me who earn .60% or maybe .70% on the loan, when most brokers have people's best interest at heart.

ASIC employees, paid a comfortable salary by the tax payer have no idea what it’s like to try and earn a living as a broker.

Brokers do over 50% of the loans in this country and this review somehow suggest all these clients are getting a poor outcome. That just doesn’t make any sense what so ever, otherwise consumers wouldn’t be so loyal to their broker.

We are the lowest paid brokers in the world, yet are ASIC along with the big banks could ruin the lives of thousands of small business owners by cutting our commissions? If that’s your plan, where is the justification in doing so?

Or is ASIC being lobbied and manipulated by the banks to cut brokers income, in an effort to put them out of business and drive consumers back into the banks propriety channel?

Regards

Tim Howard

Mortgage Broker