

From: Mark
To: [Consumer Credit](#)
Subject: Broker Input on Draft Bill to National Consumer Credit Protection Amendment (Mortgage Brokers) Bill 2019
Date: Wednesday, 28 August 2019 9:45:31 AM

Dear Sir/Madam,

As you continue to finesse your arguments/points before presenting to the Government, I would like to highlight a few issues for you to note,

1. Part of the Government's decimation of the Financial Planning industry was to include a Best Interest Duty rule.

This caused no end of confusion and headache as the definition of Best Interest is **subjective**.

Taken to the extreme, a client can argue that his/her Best Interest was not achieved simply because the broker **does not** represent **all** the possible financial institutions in Australia.

Thus, the Financial Planning industry and the Government came to a compromise... a Safe Harbour Clause.

Unfortunately, Commissioner Haynes has recommended the repeal of the Safe Harbour Clause.

My initial reaction would be to stand by the current position of providing the client a Home Loan that is Not Unsuitable. However, if you support the push for Best Interest Duty, please kindly protect us by including a Safe Harbour Clause.

2. The bottom line is always about Money. There is a perceived conflict of interest because the public thinks we tend to push home loan products that pay us higher commissions and soft dollar commissions.

a). This is patently untrue as all the home loan products, in my opinion, pay us about the same level of commission.

To drive this home, please push for **all** home loan products to pay **exactly** the same level of commission. [This will immediately counter the accusations of conflict of interest.](#)

b). Soft dollar commissions, if it hasn't happened already, must be banned.

3. Banning Trail Commission:

Commissioner Haynes said that Trail Commission is money for nothing.

This is patently untrue.

Trail commission is in place to pay for my work when my clients call me to ask for a Scenario calculation... or even several scenario calculations only for them to decide not to proceed. If trail commission is removed, who will pay me for time and effort spent? Does the Government expect me to work for free?

4. Banning Upfront Commission:

a). there have been suggestions that clients should pay Fee for Service.

As an ex-financial planner, I saw how it killed off the Financial Planning industry as many clients want Free Advice.

Even if the Government dictates that the Big 4 banks have to charge Fee for Service, the Big 4 banks can soften the burden by offering cheaper insurances/credit cards/personal loans/car loans etc. Therefore, I predict that clients will tend towards the Big 4.... mortgage brokers and smaller banks will suffer in the long run. Ultimately, competition and choice will be impacted.

b). another suggestion was to capitalise the Fee for Service into the home loan.

This is a terrible idea as a \$3000 fee for service will become about \$5800 over 30 yrs.

Furthermore, as clients tend to refinance every 2 or 3 years, the increasing number of Fee for Service charges being capitalised into their loans will effective kill off the mortgage refinance business.

SOLUTION:

1. The main bug bear is Conflict of Interest.

Equalise all Upfront and Trail Commissions and this concern is removed.

2. Do not remove Upfront and Trail commissions

Only the Big 4 banks are concerned about this as they have branches and big marketing budgets to advertise.

The clients do not care about Upfront and Trail commissions as long as their Home Loan interest rates are the same across Broker and Bank channels.

I look forward to hearing from you.

I am your Mortgage Broker. Please let me know if there is anything I can help you with.

Regards,

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The greatest compliment I can receive is to be referred to your family, friends and colleagues.

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