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30 June 2017

Manager Financial Services Unit
Financial System Division
The Treasury
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Email: consumercredit@treasury.gov.au

Dear Sir/Madam

Loans Actually Response to the ASIC review of mortgage broker remuneration, 16 March 2017

I am writing to you in my position as CEO of Loans Actually Pty Ltd, a Mortgage Broking company which currently has 38 mortgage brokers operating under our membership.

Initially I wasn't going to provide a submission directly, as I had believed my Aggregator would be providing a response that had my member's best interests at heart, however, late today I was informed that this had been incorporated within the National Australia Bank's response. I am therefore concerned that this will be tainted by National Australia Bank and there clearly needs to be a view from a mortgage broking business. I apologise if some of my response is not clear, as it was originally directed to my Aggregator (PLAN Australia) focussed on information relevant to them and I have tried to quickly amend the submission to make it relevant to yourself as an independent reader.

I am extremely concerned about some of the recommendations included in the Retail Banking Remuneration Review by Stephen Sedgwick (dated 19th April 2017) and previous ASIC Review (dated 16 March 2017) and the direct effect they will have on my business and the mortgage broking industry as a whole if fully implemented.

This latest "independent" Sedgwick Review was prepared under the instruction of the Australian Bankers Association and their **25 member banks** and it fully supported all the findings of a very comprehensive ASIC Review, but also went much further to completely

attack the foundations of the mortgage broking industry. Thankfully Mr Sedgwick took the time to specifically thank all the ABA Member Banks and some bank staff in particular for their assistance. No mention of mortgage brokers here! Did Mr Sedgwick even speak with aggregators, member bodies and brokers? Recent reports in "Australian Broker" suggest not, so how can it be a comprehensive report when he doesn't even take the time to speak with some of the main people who represent the very people who will be affected by his recommendations.

In my view, some of Mr Sedgwick's recommendations will have such a negative impact on a mortgage broker's business that they will actually increase the possibility of borrowers experiencing a poor customer outcome. In his report he has now pounced on some of the ASIC Proposals for discussion and made recommendations that basically alter how and when a mortgage broker needs charge for their services and how they will be able to carry on business in the future. He is making recommendations to fix something that is working perfectly well and has produced no proof of systemic poor customer outcomes from mortgage brokers.

As an example, if we are to replace our commissions with a bank determined flat fee that is not tied into a loan amount but more towards customer or loan characteristics we would need to charge our clients a reasonable fee. Now we note from the review that client funded fee arrangements are not supported by the Sedgwick Review (page 37), but we would expect mortgage brokers would need to charge their clients a fee as we know from experience that any bank paid fee will be set at the lower end of the scale. This would leave us with a shortfall requiring our own fee so that we could continue to offer the same quality service we have in the past.

Of equal concern is the speed with which the banks (not surprisingly many are members of the ABA) have agreed to take on **all** recommendations of the review without even having time to discuss these in full with their other commercial parties (brokers) as yet. Whilst the reports suggest these discussions take place to find some middle ground, they also request the recommended changes are implemented in the very short term.

From my recollection, the ASIC report was initially instigated due to concerns about the bank credit card interest rates, regular massive profits, excessive executive salaries, high fees and random home loan interest rate rises being declared and announced by the Big 4 banks in particular. It grew wings to include customer complaints and perceived poor customer outcomes from the banks from any number of areas and reasons. With the banks having such a major focus on the dollar return and ignoring or deflecting client's complaints with "the increased costs of funds" response a growing voice of frustration resulted in calls for royal commissions and further credibility attacks.

The cause of these complaints and concerns was not because mortgage brokers were being paid commissions, it was because of the way the banks were treating their clients and the Australian public in general.

As authorised and licensed credit advisers, mortgage brokers clearly have a role in the placing of responsible lending opportunities before the banks, but the way that these lenders then manage those clients is something that is completely out of our control. In reading through these two reports, ASIC and the Government (and Mr Sedgwick) were extremely positive about the role mortgage brokers play in our current competitive lending marketplace, yet they have also grouped us in with the banks as if the way we are paid is responsible for poor customer outcomes. Where is the proof?

To draw the conclusion that the payment of commissions based on loan size to mortgage brokers causes poor customer outcomes is both incorrect and unproven. In simple terms, I have discussions with my client to:

- identify why they want the finance
- how much they require
- the best way to structure the loan (often in consultation with their accountant or financial adviser) and
- identify the most appropriate product to satisfy their needs

The size of the loan is only important in the fact that it directly correlates with the client's needs. Might I add, since the introduction of the Finance Broker Agreement and our full disclosure of commissions to our clients, very few clients have shown any concern for how much I am paid for obtaining a loan that will ultimately help them achieve their goals. I can further add that the rates and fees applied to their loans have generally been the same as those available to the retail customer.

My business and the majority of my industry associates focus on the solution for the client, not on the commission we are paid. We know that under the current commission structure we will be suitably compensated for the many hours we spend working with the client, although there are often occasions when this is not the case when dealing with loans of a small monetary value (eg: for top ups). It's a case of swings and roundabouts.

Following are the specific recommendations I would like to address.

1: Sedgwick Recommendation (number 16) & ASIC Proposals (numbers 2, 3 & 4)

On a general note, I have no issue with moving away from soft dollar payments, volume incentives and clearer disclosure of ownership structures.

Professional Development & Training Days

There is an inference that payments to aggregators or mortgage brokers for these events is a soft dollar incentive that may influence who we use and this can absolutely be the case. The lenders that participate in these events are actively promoting their business, products and systems and helping to educate us as mortgage brokers about what other opportunities are in the marketplace for our clients. If these lenders provide material that helps keep them front of mind then I would consider that sound marketing, as long as that material is not of an excessive value.

When it comes to recommending options for our clients this type of activity may help us recall more readily which lenders are more likely to provide a solution for our customers, but I would doubt that we would recommend them just because they attended a PD Day and gave us a note pad and pen.

Higher Service Levels

Referencing the discussion points raised on banks providing higher service levels to brokers who support their business, there are some areas where this is totally reasonable. If we have such an arrangement in place and are comparing two lenders with similar products/rates and fees, whereby the supporting bank will pick up a file within a few days, provide us with a full approval within 1-2 weeks and pay us a commission, why wouldn't we use that bank? Especially when the competitor bank does not provide this service as we don't have such a strong relationship with them and as a result won't even pick up a file for 3 weeks. If the client is being put in a Not Unsuitable product and we help them achieve their financial goals in a timely manner (without the stress of continually extending finance clauses for instance), how is that a poor customer outcome? Might I add, I would let them know about the other lender but also of the lesser likelihood of a positive, speedy response.

People are basically impatient. They want things done straight away and will go elsewhere if they consider their loan application is not being processed in a timely manner. This ultimately reflects poorly on the mortgage broker and the banks.

I don't like to bank bash because we are ultimately reliant on them for our client's funding solutions, but many of the processing delays we experience are something over which we have no control. The banks control the number and skill levels of staff available to manage our loan applications however their availability is often negatively impacted by the banks desires to run sales campaigns at inopportune times. This is often when they misread the market response or have just not had sufficient resources available, or their processing systems are insufficient to manage the resulting increased demand for their products at the time.

Management of Mortgage Brokers

1: Quality

As licensed credit advisers we are already reviewed by our Licensee (and ultimately ASIC) regarding making sufficient enquiries of our clients and obtaining documentation to support our recommendations, so I fail to see how the banks will add further value by reviewing our data to avoid any purported miss-selling. Remember, there is no proof of any miss-selling provided, just general concerns that it may be occurring.

Through us providing additional information I am concerned this will add to even more delays than we are already experiencing from the lenders processing our loans? Is it proposed that the banks will require a copy of our CNA, and/or does it extend to wanting copies of our notes as well? By reviewing the CNA the banks will see what the clients have advised to be their use of these funds, and I have to wonder what that is going to prove? Basically this would merely confirm what has been included in our application.

If there is a perceived abuse of sourcing larger loans than is needed, with excess funds being placed in offset accounts or into redraw, then make the clients more accountable and take more control over the release of funds. Instead of merely requesting commentary on the use of the extra funds (cash out) as some lenders require, ask for more detailed information or proof such as renovation contracts, investment plans, quotes, accountant's letters, statutory declarations etc and don't release these extra funds until commitments or investments are proven or due. The bottom line here is if the client really wants the amount they are signing and application for and the banks require more documentation, then the client will provide it.

In life, circumstances change. We make reasonable enquiries to confirm why and how a client intends to use the requested funds and that they are able to afford the loan through completion of our Preliminary Assessment. If their circumstances subsequently change after or around the time of funding then they may "park" the cash out portion in redraw or an offset until a new opportunity arises. They will then be in a position to move more quickly when the next event or opportunity arises. This is not providing a loan for a higher amount than required, it is sourcing finance for a specific purpose which may not have occurred as expected in the short term, but which may again the near future.

The reports recommends that banks performance manage mortgage brokers broadly in line with retail staff, and that is ok and something that is already being done to some degree, but how far will this go?

The majority of banks review the quality of loans received and a number also retain data on the number of lending applications being lodged. The question of quality is easily addressed, as where poor standard applications are received the loans are either referred for further review by credit, or declined outright. In these instances, the mortgage broker should be counselled and their loan applications closely monitored by the lender and the bank BDMs. Their Aggregator and/or licensee should also be advised and take an active role in the process. If the mortgage broker fails to lift the standard then there are consequences and they will eventually find themselves out of the industry. I have no issue here as the client is the one who can be seriously affected as a result of poor advice or mortgage broker skills. These should be the same consequences faced by the bank's retail staff.

2: Transaction Volumes

A major problem mortgage brokers face is that some of the lenders require a minimum number of loans to be lodged (and/or approved) over a period of 3-6 months or per annum. This requirement is in place whether that bank is currently "out of the market" or not. If the minimum target is not reached then the mortgage broker may lose their accreditation from that lender, notwithstanding that they may be experienced mortgage brokers and lodging loans with other more competitive lenders during that time.

The banks state their concerns are based more on their belief that the broker will not be up to date with their policy and processes if they don't use that bank on a regular basis. This in isolation may be the case, but that is why we talk with the bank BDMs and scenario lines, read our lender emails, utilise our Aggregator software and attend aggregator and lender PD

Days. If the bank has these concerns, then a simple yearly refresher webinar or online training session over and above what we already do should suffice without the need to attend a face to face re-accreditation training program or pay a re-accreditation fee.

There is nothing more embarrassing to a mortgage broker than to recommend a product to a client, lodge the loan to the lender, and then be informed you haven't met their minimum transaction requirement and therefore had your accreditation terminated without notice. (But this is the life of a mortgage broker).

2: Sedgwick Recommendation (number 17) & ASIC Proposal (number 1, Paragraphs 115 & 116)

I have a number of issues with changing our income commission structure from upfront (calculated on the loan amount) and trail (calculated on the average monthly loan balance) to a fee model decided by the banks "in negotiation with their commercial partners".

Set Commissions & Negotiations with Commercial Partners

I have experienced so many bank initiatives over the years where they have made unilateral decisions that adversely affected mortgage brokers personally, our businesses and our industry as a whole, I am fully aware of what type of discussions they will have with their commercial partners. It will be 'this is what we are doing, take it or leave it'. Unfortunately many aggregators are now owned by the lenders and therefore the discussions have every probability of any resulting agreement being controlled by the owners.

As an example, in 2008 Westpac moved first to a reduce mortgage broker's upfronts by up to 30% and trail by up to 40%. No collusion, but all banks joined the party in quick time arguing that everyone had to share the pain, yet their profits continued to increase at massive levels.

The GFC is almost 10 years back now and the market has found its equilibrium with upfronts near pre GFC levels and trail income still substantially lower (but tiered) to discourage churn. In my opinion the current remuneration arrangements are fair and reasonable and:

- are sustainable
- provide mortgage brokers with an opportunity to forge a career
- reward mortgage brokers hard work
- acknowledge mortgage brokers are in this for the long term and for the good of the client
- encourage mortgage brokers to stay in contact with clients and become their trusted advisor
- provide mortgage brokers with an opportunity to build a business with real value
- enable mortgage brokers to employ thousands of support, administration and loan writing staff across the industry
- results in the lenders having an increased concentration on processing and managing their clients
- is directly aligned to the profit the bank makes per deal

Many lenders acknowledge the majority of their loans come from mortgage brokers, in fact the latest MFAA report (IIS Report3) shows that 53.60% of loans are generated by mortgage

brokers. If the current system wasn't working I'm pretty confident everyday Australians wouldn't use our services.

The Sedgewick Review states that a broker can earn significantly higher commission from one product over another (ie: ranged from 0.375% and 1.1% but was usually 0.5% and 0.8%). In actual fact, a standard mortgage would generally have a maximum range of 0.70%. A higher rate would reflect either one individual lender trying to buy business by offering over and above the norm, or a non-conforming or specialised lending. So let's make sure we are making accurate comparisons and deal with the majority. If 1.10% is considered too high for specialists, and one off lenders offering specials is considered too high then have the lenders agree to set the commissions at a maximum of 0.70%. Job done!

Consumer Centric Culture

ASIC's last proposal reads: "To reduce the risk that remuneration structures may result in poor consumer outcomes and inhibit competition, there is a need for all industry participants to place greater importance on fostering a consumer-centric culture and take more care in the design and monitoring of remuneration structures."

I have no issue with fostering consumer-centric cultures as this is how mortgage brokers and successful businesses generally operate. I would add that the payment of commissions based on the loan amount does not stop mortgage brokers from fostering a consumer-centric culture, but changing how payments are calculated and how much we are paid clearly will.

We run our businesses off the back of the commissions we receive from the banks. We've made commitments to staff, referrers and suppliers based these on the expectation of business being written at average historical levels and receiving commissions paid at agreed levels. If our income levels are slashed again (which these reports are clearly advocating), then we will be severely restricted in the type and amount of service we will be able to provide our clients.

We could be forced to become more of a transactional type business, with less or more limited services for our customers. Alternatively we may need to charge the clients a fee for service which flies in the face of the reports and ultimately would be a worse outcome for all parties.

What Mortgage Brokers Do

Firstly and most importantly, we are not paid employees of the bank, receiving neither salaries, payments for our holidays, superannuation, sick leave or other staff costs. Nor do the lenders pay for our business operating expenses, marketing costs, education and training costs, office rental expenses and day to operating expenses.

We are, for want of a better term, "independent operators" who:

- source our own clients from our own marketing and networking activities
- meet with the clients (usually multiple times) either at our own offices or other convenient sites (much of this at times outside the normal 9am – 5pm working hours)

- collect information and complete a full needs analysis of the clients current and future goals, plus collect sufficient supporting documentation from the client to allow for an accurate review and to confirm the information provided
- research solutions for the client working through 100's of bank products to find the most appropriate solution that is "Not Unsuitable" and then present same to our clients
- lodge the application with supporting documents to the lender and manage the pre-approval process through to settlement, dealing with clients, agents, conveyancers, solicitors, lawyers, builders, developers and lenders (and many others)
- manage the various connections associated parties with the application throughout the process
- respond to and handle all the stress of lender processing delays and backlogs, changes to lender policy mid-flight and interpretation from credit assessors
- dealing with inexperienced lender credit officers or staff who appear ambivalent to our client's position or stress levels and manage our clients expectations when the banks say any delays are "your brokers fault", when we have done everything in our power to keep the loan processing in a forward manner and followed all the banks processes
- in essence, take the stress out of looking for a loan by doing the legwork and negotiations for the client by identifying a range of lenders who could have the most appropriate loan to meet their individual circumstance. Some of these lenders they may not have heard of previously; this is called choice and encourages competition.

We do an amazing amount of work for our clients and endeavour to make it as simple as possible for the lenders to approve these loans quickly and with the least amount of confusion or difficulty and we are being asked to do more and more of the bank's work to "justify" our commissions.

In effect, we are completing a full online application for the lender, providing and attaching supporting documentation and upfront valuations to Apply Online as verification and are paid an upfront commission payment to do so. The banks sees the end result of all the data and supporting documents handed to them without the need to even find or speak with a client. How much easier can it get?

We are essentially an unpaid marketing arm of the banks bringing them new clientele, or helping them retain existing customers. As we have no alliance to any bank, we look for the option that best meets our client's needs, not how much we are going to be paid in commissions.

We are an educator, an expert, an adviser, an associate, a role model, a friend and a shoulder to lean on in times of trouble and stress. When a client's bank can't or won't help them, and it's not always because of a client's financial history, a mortgage broker will look for other options. Sometimes it's just a case of getting to know your client better or understanding that some lenders look after certain client or loan types more efficiently.

Our industry has gone through enormous changes associated with increased compliance and licensing over recent years and essentially have we accepted these because of our belief that it continues to make our industry stronger. Increased costs in time and money have needed to be absorbed within our businesses but with the changes recommended this cannot be case in the future.

Our goal, as it should be for all in a customer service type industry, is for good customer outcomes and to be suitably rewarded as a result.

Bank Retail Staff v's Mortgage Brokers

Mr Sedgwick suggests bank retail staff should just suck it up and accept they will earn less than they have previously, and that whilst brokers are not bank staff, they should basically do the same. Remember, many in our industry are not employees with the safety net of a regular weekly base salary on which to fall back.

As first and foremost the owner of a mortgage broking business employing 6 staff and additionally, as the owner of a mortgage broking sub-aggregation business with 37 members (and associated families and staff), I was astounded at some of the assumptions of the review. Whilst acknowledging the different roles of bank staff and mortgage brokers, to then compare mortgage brokers incomes to retail bank staff is absurd.

The majority of banks also pay us an ongoing trail to discourage "churning". We also rely on this trail income to help meet our staff and office running costs and to assist us retain our connections with our clients.

Fee Model

The recommendation to move to a flat fee or a score-carded arrangement with subjective components like quality of advice with reduced or no trail, will, I believe cause a mass exodus from the industry. It will see the risk of mortgage brokers moving into more of a transactional model. Effectively, the more home loans you write, the more money you can make or to simply make ends meet. What it might mean.

- Mortgage brokers business values would be virtually wiped out overnight
- Only those businesses with large trail incomes built from years of trading will survive
- The new to industry broker will disappear and we will lose some wonderfully skilled people
- There will be little opportunity for new business to find its way to those smaller lenders because those with the biggest marketing budget will get the lion's share of the clients. Competition will dwindle and the major lenders will take even more control of the industry than at present
- The way I look at trail is that it is a fee I earn from a customer for ongoing management – reviews, increases and restructures where we get little or no payment for at present. If trail goes I either have to charge the client a fee to review or not manage them once the loan is settled (great consumer outcome)
- If there was a flat upfront fee I may have to charge the client an additional fee to make a deal viable for me. This would encourage me to churn my book regularly (transactional model)

- Who makes the qualitative judgements if it's a scorecard model (quality of advice or complexity of deal)– this flat out won't work
- Lower commissions would result in less income for mortgage brokers and possibly trend them towards spending less time with each client. This would be forcing them to become more transactional and take away from our current serve offering.
- The Reviews suggest that the banks should pay a fee to the broker and the client should not bear any cost, but if the proposed fee is set at a low level then a mortgage broker would have no choice but to also charge the client a fee to recoup our time, resources and education costs.

In fact, a review of our group's current members has shown that we would see a minimum 50% drop in numbers due to the lack of viability of mortgage broking. Extrapolate that through the industry and mortgage broker numbers would be decimated and competition severely reduced. The MFAA report (IIS Report3) shows that mortgage broker numbers is currently approaching 16,000 so that an awful number of Australian families that will be impacted. Another great outcome!

We believe any flat fee would be set at such a low figure so as the banks wouldn't pay excessively for smaller loans. I'm sure the banks would be averse to paying more than they currently do for smaller loans, which can be an important and substantial part of a mortgage broker's business. Whilst stats might indicate that brokers write larger loans on average, they don't acknowledge that there can also be a large number of smaller loan amounts and there is just as much work in both.

To suggest a set value of time, skill and expertise can be placed on a loan based on the LVR, product or customer type, or complexity shows a complete lack of knowledge of the industry in which we operate. As mentioned and shown earlier, there is a huge amount of work and time we put in to every application, no matter the amount, and sometimes the supposedly "easier loans" take the most work. And who decides if a loan is complex?

As an example, the net upfront income on a $100k loan might be around $700 to our aggregator so I'm sure the banks would be loath to pay more than that based on an LVR, product or customer type calculation. Conversely, they would be rapt to only pay a few dollars more for a loan in excess of $500k. Unless the banks are going to rename loan types by dollar value brackets (which would fly totally in the face of these reviews) I can't see them coming up with a figure that is reasonable to the mortgage broking industry.

If we are to replace our commissions with such a bank determined flat fee, we would need to charge our clients a reasonable fee to make up the shortfall so that we can continue to offer the same quality service we have in the past. How is the need for us to now charge our clients a fee a good outcome for a client?

Where the client has generally expected to have someone work hand in hand with them for no fee (or a minimal fee) in the past, often over a period of many weeks, months and years, they will now be required to pay a fee every time to enable us to continue that service. And when they know they can get the same loan by going direct to a bank for no fee, what do you think many clients will do?

My sub-aggregation business (Loans Actually) identifies prospective new participants to the mortgage broking industry and we spend a massive amount of time training, mentoring and educating them to high standards. We provide introductions to lenders and other industry professionals and take an active role in their personal and business development. We also undertake many of the responsibilities of our aggregator (PLAN Australia) and the lenders or provide additional value that complements their training programs.

To cover our costs we take a small clip of our member's commissions. This allows us to offer ongoing elevated levels of service to our members and any change to the commission structure will seriously undermine our ability to continue to do so. I can see this side of my business grinding to a halt.

Clawbacks

It is correct that we are currently paid an upfront commission based on the loan amount and a trail commission based on the average monthly balance of the loan for as long as the loan remains current (and in order). But how many industries are there where you spend the time and do the work for a client, get paid, and then because there is a change in circumstance sometime down the track, have anywhere from 0 -100% of your upfront payment withdrawn? A change of circumstance could be anything from:

- sale of house
- refinance of a loan (by another broker, lender or the existing lender)
- marital and partnership separation
- change in personal or financial situation (to name just a few)

Any or all of these scenarios could be totally out of a mortgage broker's control but they are financially "charged" by the lender through clawback agreements. If we are on a flat fee with no trail would the lenders still enforce clawback?

Qualifications & Education

Mortgage brokers must meet a minimum education standard of Certificate IV in Mortgage Broking or, in some instances a Diploma in Mortgage Broking Management before we deal with clients. Additionally, if they are inexperienced in lending they must operate under a mentorship for 2 years. This is not the requirement for retail lenders and inexperienced lenders are often let loose on clients, often with as little as a 2 week training course behind them, with very minimal support.

Considering there is so much experience lacking in the retail banks and from the resulting poor and restrictive advice (only their bank's products) being provided, is it any wonder that many clients prefer to deal with mortgage brokers. Perhaps this is one of the real reasons that brokers are writing loans for a higher average amount. Clients have more confidence in our ability to a selection of lenders who can offer the right types on loan due to our experience and impartiality to one lender or "product of the month".

Summary

As highlighted in the Sedgewick Review Executive Summary, this latest review 'should

preserve competition and the viability of the mortgage broking'. By challenging the banks to do away with commissions altogether (except for grandfathering existing past trail) and the banks apparent enthusiasm to implement such a change, this will adversely affect both competition and the viability of mortgage broking.

A number of our members (some of whom have only recently moved to the mortgage broking industry) have also expressed a real fear about their futures if the recommendations of this report are implemented as suggested.

Is it ok for Mr Sedgwick (a paid long term Public Servant) to say that the bank staff must accept and get used to the fact they won't get bonuses in the future? Possibly so, as the majority of bank staff are paid salaries and will at least have some reasonable level of certainty of future income, but where does that leave mortgage brokers facing at best dramatically reduced commissions? Most mortgage brokers are self-employed and are not paid salaries or retainers, but they are people who have made financial commitments and personal choices based on a very strong, relevant and customer centric business proposition. No salary to fall back on here, just bills to pay and mouths to feed.

Many brokers do not earn the $100k + salaries that the reports seem to suggest we do, but that isn't to say they care any less for their clients, nor put their own needs first. A number of our members have entered the mortgage broking industry within the past few years, often sacrificing higher paying roles from both within and outside the finance industry, to have the opportunity to take control of their lifestyle or to have the potential to utilise their sales and customer service skills to set up their own successful businesses.

We are extremely concerned with the recommendation of alternative arrangements to replace commissions be left 'via commercial negotiations between the parties'. Our fear is that the banks will set an unreasonably low flat fee for all loans which does not fully compensate a mortgage broker for their time and skills. These concerns are well founded because we have dealt with the banks over many years and understand their unilateral way of introducing changes and new processes. "This is what we are doing so like it or go elsewhere".

When suggesting 'fees for service paid by the bank but set either as a flat amount or related to the characteristics of the borrower', the report is clearly flawed. How could a lender possibly appreciate the time and skills required to deal with our individual clients unless they sat in our interviews with our clients. They see the end product of a loan application with all the fields filled in, supporting docs provided and commentary on areas that require further clarification. The product type or "characteristics" of a client have absolutely no relevance. It also does not take into account the skill set of an educated, qualified and licensed mortgage broker, often gained from years of experience in the financial services fields.

The question must be asked if Mr Sedgwick (and in extension, ASIC) actually understands the role of a mortgage broker, the expectations of our clients/lenders/aggregators/Member

Bodies/ASIC under which we operate, and how we need to work with our clients to win a deal from our competitors.

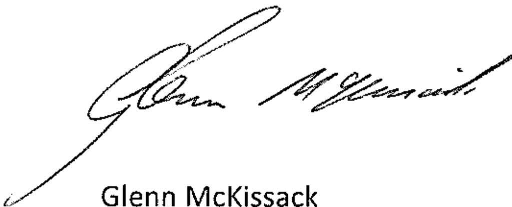
Australian Banks are some of the strongest in the world and came through the GFC better than most other countries so why are we using these other countries as yardsticks? The Netherlands for example (footnote 65 in the Sedgwick Review and also referenced by ASIC) and European banks have absolutely no comparison or relevance to Australia. Just because something is done overseas does not mean it should be done or would be appropriate here.

As professional members of the mortgage broking industry, the Loans Actually membership are looking to the leadership of PLAN Australia to take our concerns to the highest levels of the banks and government and to ensure our voices are heard. Whilst we are ok with change for the better (including the abolition of such monetary bonuses and soft dollar rewards as proposed by ASIC) we believe many of the further measures of the reviews are unnecessary and will seriously affect the competition and viability of the mortgage broking industry. This would be in complete contradiction to overarching principal under which MR Sedgwick was employed, which ***must be that competition and the viability of mortgage broking is preserved.***

We spend the time getting to know our clients, keeping them informed and provide a valuable service. We offer options and choice, support and friendship. It's not all about the dollar as inferred in the Sedgwick Review, but the income helps to keep our business growing, employing local staff and using local services. If recommendations are introduced to the level of this report we believe there will need to be extreme measures taken that will seriously affect many families and deliver no measureable improvement in the intended areas.

The Members of Loans Actually would appreciate the PLAN Australia executive fully supporting our business and industry through active and strong representation with the lenders, ABA and ASIC as well as other industry bodies such as MFAA and FBAA to ensure any changes are both necessary and reasonable.

Regards



Glenn McKissack

CEO
Loans Actually