

28/08/2019

88 Gladstone St.

Newport NSW 2106.

r.porter@premiumbroker.com.au

Broker Remuneration Review.

Broker Commissions.

To Whom It May Concern.,

I believe there should be a flat rate of commissions across all lenders for both trail and upfront. If that were .715% inclusive of GST for all residential loan upfront commission and .165% inclusive of GST for all residential trailing commissions, it would remove the perception that some lenders are favoured over others because of more favourable rates of commission.

To the average broker “**soft commissions**” don’t exist as their volumes have never reached the levels that a lender might try and incentivise them to send more business their way, these commissions might be earned by a minority of large broker businesses but not by most of us and so the banning of such practices wouldn’t have any impact on the majority of my peers.

Aggregators usually receive sponsorships from lenders in return for privileges at conferences and P.D. Days, removing these would have little impact on the independence of broker decisions in recommending lenders to clients, however, it may impact on the costs of running an aggregation business and that could impact on the fees that aggregators charge their brokers. This in turn could greatly impact the viability of the average small broker business and discourage new participants from entering the industry, less brokers means less choice for consumers.

In my experience brokers favour lenders who provide the most consistent service and the most competitive product & best service to their clients in the post settlement environment. It has never been a proposition to have the cheapest rate only if the lender cannot also provide a good application process and a good post settlement environment for the client as well. A good broker

will have a portfolio of loans built up over time with a variety of lenders reflecting their client's circumstances, the lender's niches and the broker's relationship with the lender and confidence they will deliver on everything mentioned above. Like most industries this will not be set in stone and it will change over time.

When I started in this industry, in 1998 at Aussie Home Loans, we had only one lender and two products, fixed or variable. These days brokers have access to a plethora of lenders and have technology to guide them in their decision making and recommendations. However, technology can only go so far in that process and most of us depend on our experience and our peers to help us in recommending loans for our clients, for me it has never been about commission paid by one lender over another and I would say that is the case for most brokers.

Clawback of Broker Commissions.

I would say we are the only cog in the property industry that can have our fee (upfront commission) completely or partially taken back by a lender if the client exercises their right to repay their loan inside the first 2 years, after settlement of the loan. The solicitor or conveyancer doesn't, the State Government doesn't, the real estate agent doesn't, the lender doesn't, the aggregator doesn't and any other business that charges a fee in the process doesn't.

I have had clawbacks occur for many different reasons. The clients decided to sell the property at a profit because they could, the clients decided to refinance because they could, the clients had a windfall and decided to pay out the loan, the clients got divorced and the loan got paid out because of a family law settlement, the client's plans changed, or one of the clients died. These events are not uncommon, and they can have a devastating effect on the cashflow of a broker's business, usually without warning and not budgeted.

I believe that Brokers should have the right to claim the clawback back from the client and that it should be fully disclosed in the compliance documents, that if a clawback occurs the broker should be paid that sum by the client.

There are many hours spent in the successful unconditional approval and settlement of every loan. When a clawback occurs, we do it for nothing and I don't know one professional that is vulnerable to providing a service like ours that could end up with not a cent to show for it, in fact losing money after

paying our aggregation fees and our loan processing fees & our overheads, for the provision of the service.

Thank you for reviewing my comments on Broker Remuneration, I hope they are useful to your due diligence and consideration of this matter. Please don't hesitate to contact me if you require further clarification.

Your Sincerely,

A handwritten signature in black ink that reads "Robert Porter". The signature is written in a cursive style with a large, stylized initial 'R'.

Robert Porter