INDUSTRY REFORM

NCCP LENDING CODE OF PRACTICE (BROKER AND BANK STAFF)

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INDUSTRY REFORM

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In an endeavour to achieve the best consumer outcomes, the mortgage broking industry ("the industry") has endured over 5 years of reviews, with topics ranging from mortgage broker best practice, providing qualified advice, charging of fees and receipt of commissions, broker obligations, competition, bank misconduct and conflicts of interest. Yet to date it is evident the industry does not appear to have a suitable proposition that fosters all parties involved, whilst championing the consumer's best interests.

Our market share as brokers puts us in a unique position where we can help reform the industry and drive beneficial change; creating an environment that removes the need for future industry reviews, adds value to our broking businesses and services the consumer's best interests.

Uniting together as an industry, mortgage brokers ("brokers") have the power to influence. This was recently highlighted when a united industry was able to provide sufficient proof of the industry's value in the financial sector to the current Government, which led to the dismissal of the Royal Commission recommendation to remove trail commissions paid to brokers. This was a direct acknowledgment that brokers provide a service for these 'deferred upfront fees'.

HOW DOES THE MORTGAGE BROKING INDUSTRY WORK?

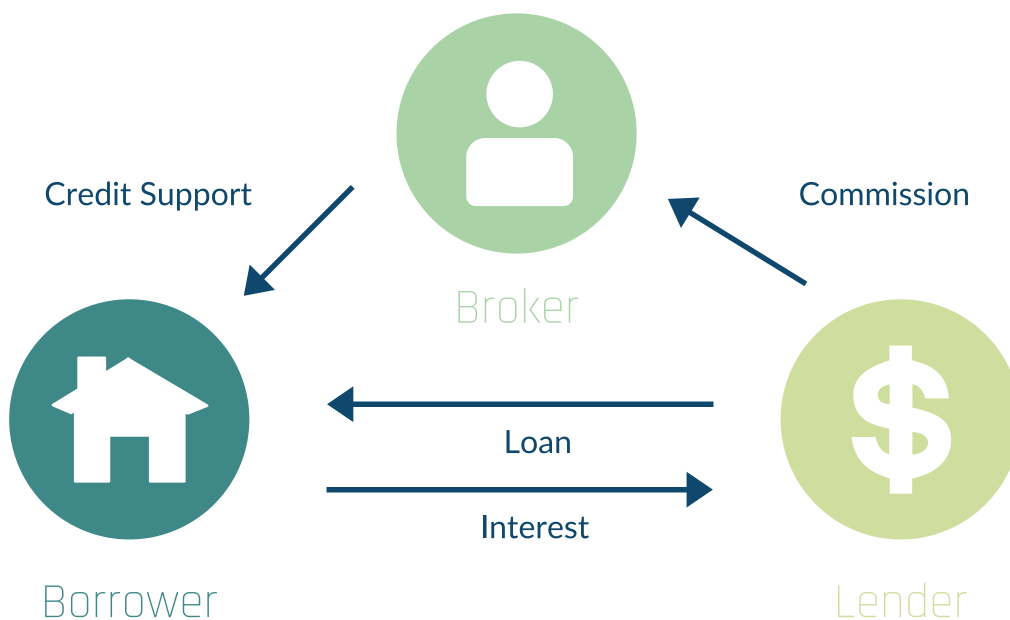
Currently a client seeks assistance for finance via two options:

1) Direct to the bank and branch staff
2) Utilising the services of a finance or mortgage broker

Consumers seek the assistance of broker, not the other way around; whether it be via a referral or researching online, the consumer approaches the broker and most brokers operate via appointment only.

Mortgage brokers receive (origination) commission based on the settled dollar value of the loan originated for the customer. They are also paid via an ongoing (monthly) commission or a "trailer" (as deferred origination fee) based on the closing balance of the loan (net of any redraw or offset balances).

The Role of a Mortgage Broker



Source: Deloitte Access Economics, July 2018

It's important to note that there's a vast difference in required qualifications and compliance, document collection and verification, and remuneration from bank direct clients and those that a broker. See here for a breakdown of what this looks like- Appendix A.

Bank staff are employees, whilst Mortgage and Finance Brokers are independent business owners. Bank staff are paid a salary and bonus, while brokers are remunerated via a commission schedule of upfront and trailing commission. This schedule varies dependant on lender and loan size, yet it's a percentage model based on volume. It's often suggested the higher the loan size, the more a broker will get paid. Whilst technically correct, many far more important factors influence the loan size eventually settled upon in most origination scenarios.

This contentious issue of broker remuneration has been scrutinised for over five years. Effective legislation must now be introduced as a matter of urgency to ensure tax payer dollars are not further wasted reviewing the same (repetitious) material

PREVIOUS FINANCE BROKING AGREEMENT

Prior to the changes introduced with the NCCP Act, under self regulation, the industry created a benchmark for open and clear communication with consumers, via a Finance Broking Agreement. This contract stipulated the terms of engagement, summarised the loan details, and effectively acted as an instruction document.

COMPLIANCE AND IT'S PLACE

Brokers will be the first to acknowledge they operate with best practice and the client's best interest as their primary focus. As with any professional service (especially one growing market share at the current rate), brokers are required to comply with a very high professional & ethical standard, otherwise they fail. Compliance has been thoroughly embraced by the broker profession since introduction in 2010. However, brokers have seen a continual re-interpretation of the legislation since 2010 (along with an increase to the amount of additional work) in a continued effort to achieve satisfactory outcomes for consumers. Interestingly, bank staff who originate loans have not been required to adhere to the same levels of compliance as brokers performing the same roles. This has created in an 'uneven playing field' and resulted in vast differences to customer outcomes. Customers want choice which why we've seen the rise of market share in favour of mortgage and finance brokers.

THE CHANGING ROLE WITHOUT THE CHANGE IN REMUNERATION

There's a significant and justified reason to why brokers' market share is increasing. Simply stated, the service and value proposition brokers offer (as well as trust and availability) makes the service highly attractive to the average consumer.

The Value of Mortgage Broking

More than 90%

of mortgage broker customers are happy with their mortgage broker's performance.

13.8 years

is the average industry experience of Australian mortgage brokers.

3 in 10

mortgages arranged by mortgage brokers are for customers in regional and rural areas, improving access to home lending for regional Australians.

Reduced Lenders' Net Interest Margins

more than 3 percentage points over the past 30 years, making home financing cheaper for all Australians.

27,100 Full-Time Equivalent Jobs

are supported by the mortgage broker industry.

$2.9 Billion

is the amount mortgage brokers contribute to the Australian economy each year.

Source: Deloitte Access Economics, July 2018

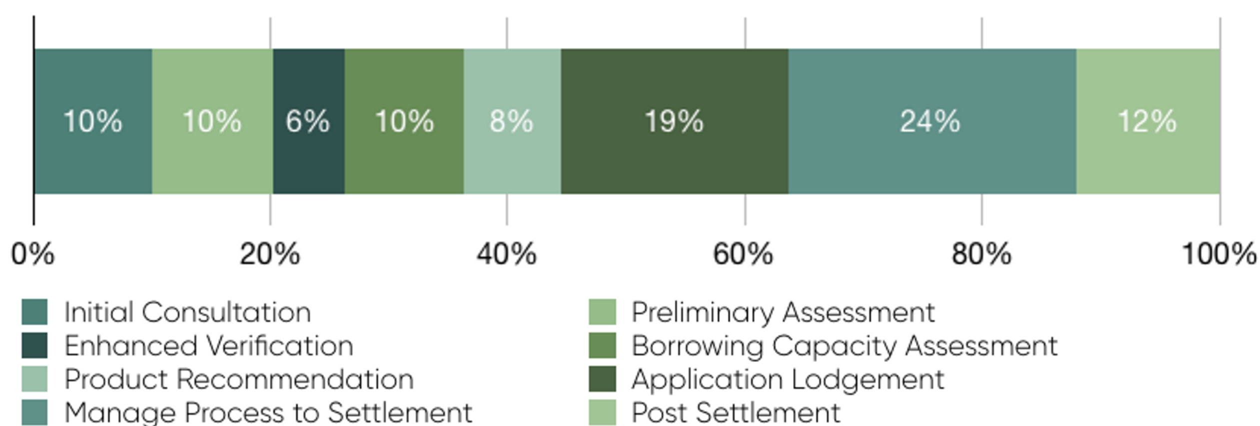
WHAT IS UPFRONT COMMISSION? OUTSOURCING OF ORIGINATION COST

Upfront commission (a percentage payment based on loan size) is paid by a lender post settlement. It has until recently been paid as a percentage of the loan amount limit, not utilised amount. This is because a client’s principal and interest repayments are calculated on the limit, and not the utilisation amount (with the exception of interest only loans whereby their very nature allows a changing repayment). This means at all times, regardless of the amount of funds the client uses, they will still make their debt repayments as if the full amount of funds were being utilised- there is no conflict to the consumer regarding this. The cost of this payment is built into the optics of the distribution channel and funding model and is not a direct cost to the consumer.

Most brokers operate on a commission only model, meaning that they do not get paid until a loan settles. Let that sink in for a moment. Brokers don't get paid for recommendations, compliance, origination and processing until after a loan settles. Consequently, if no loan is originated, no payment is received. In some instances, based on the date of settlement within the calendar month, it can take over two months for a broker to receive their remuneration.

Brokers conduct many interviews (and perform loan comparisons for consumers) with often no future expectation of remuneration. The intricacies of every potential loan opportunity are mostly unknown until a full needs analysis and compliance paperwork has been completed. It's the nature of the business and brokers generally accept they won't write a deal from every client interaction. However, as compliance and the incumbent paperwork has increased, no allowance has been made to compensate the broker for the additional paperwork and time added to every loan (or scenario) investigated. As a result, we are now at severe risk of losing our industry's most experienced brokers- this is already occurring.

Share of Time Spent per Stage of Mortgage Application Process



Note: Time spent on the initial consultation and preliminary assessment has drastically increased since this 2018 report due to recent changes with verification of living expenses.

Source: Deloitte Access Economics, July 2018

Unlike in the Asset Finance space, which are paid on settlement to the brokers/aggregator's bank account, Upfront Commissions can take six weeks to be received by a broker. This imposes a significant strain on the cashflow of many brokers (small business owners). In this digital age (and given there is precedence in the Equipment and Asset Finance space), there is no justification for this continued delay in processing commission payments.

WHAT IS TRAIL INCOME?

Trail commission is paid as a deferred upfront commission (remitted monthly). There is a mistaken belief in the broking industry this payment is made as a form of ongoing management or service fee. This payment to mortgage brokers is fundamentally different to the Financial Planning industry, where ongoing monthly commissions are paid for the management of invested funds or for services relating to insurance.

This form of 'split commission' was instituted by the smaller mortgage managers of the mid nineties, then adopted industry wide as it assisted with Lender cash flow position and also dis-incentivise brokers from 'churning' existing clients to provide additional revenue income in the form of new upfront. It's widely accepted the greatest cost to a lender occurs at the time of origination of a new loan. Therefore the payment of a delayed remuneration acts to ensure both parties (bank and broker) work to ensure the consumers best interest are met in the first instance. When this occurred, Upfront fees were reduced to fund trail.

Brokers generally provide a free consultancy to clients. Good brokers believe offering this ongoing service adds value to their service and acts as a customer service initiative. This can be likened to an electrician offering a free check up on electrical wiring after installing a few power-points. Similarly a jeweller may offer a free cleaning service to a piece of jewellery purchased and worn for 12 months by the consumer to ensure a good customer outcome, & commitment to the integrity of their product. It is a fabulous way to cement client relationships and receive referrals. It's smart business, and in this instance the consumer has benefited greatly. Paying ongoing trail (with no cessation date) subsequently protects the lenders interests to maintain the client, hence why it is paid for the life of the loan.

It's prudent to note deferred upfront has ALWAYS been paid as net of offset; a utilisation on money balances outstanding to the facility and pauses if the loan is in arrears or ceases upon the loan being discharged. It's paid on quality consumer outcome, with no obligation for a broker to demonstrate (under agreement or licence) any form of ongoing management to its clients post settlement. There's also no detriment to the consumer in maintaining this status quo and a quadripartite agreement removes any perceived legal conflicts of interest.

Trail in its very nature is a testament to good consumer outcomes as it is only paid for loans that are not in arrears, and on active facilities.

WHAT IS CLAWBACK?

Clawback is the name given to the reversal of upfront commissions paid. It's based on a schedule, depending on the lender, and the aggregator head agreement. It's designed to protect the on-boarding commercial cost to the lender for 3rd party origination and usually is one hundred percent in the first twelve months, and fifty percent up to eighteen or twenty four months, depending on lender. Furthermore, it occurs without notification.

After the abolition of deferred establishment fees, lenders sought to enforce the clawback provisions in their agreements with aggregators and brokers, and recoup their cost of origination of loans that ended prematurely, resulting in net losses to the bank. Instead of consumers being responsible for their financial actions, the onus was shifted to the broker to bear the brunt of the financial losses. Effectively the expense only moved from one cost centre to another – from customer to broker. In an attempt to provide more choice to the consumer, the net effect of this change became a financial impost to thousands of small business owners who have little or no control over the actions of their consumer and customer base. This has forced a change to protectionist behavioural patterns for brokers in line with their obligations to the Corporations Act and profitability, making it harder for consumer to access quality recommendation on mortgages.

More works needs to be undertaken to address this issue, as the cost of clawbacks to small businesses is crippling and unfair. Brokers should not be financially disadvantaged by the actions of consumers who have entered a contract not dissimilar to many financial contracts commonplace in today's business world. More importance and recognition of the value provided by professionals who provide a service to the consumers is needed; and protecting those individuals and businesses from adverse consumer behaviour is required to ensure longevity of quality consumer outcomes. A quadripartite agreement could address this issue by spreading the burden of costs recovery across all stakeholders in a fair and equitable manner. No one party would therefore bear the entire cost of any such infraction, and upfront disclosure and discussion would ensure consumers are fully aware of the real cost of business in originating their mortgage. Occasions will always occur when consumers will need to prematurely end their contract, but this would resolve the issue whereby one individual party is unduly disadvantaged.

CONCERNS ABOUT CHANGING THE CURRENT REMUNERATION MODEL

By removing deferred upfront and instead incrementally increasing upfront commission, this cost of after settlement care which is currently offered by brokers for free (pricing, answering questions, performing an annual review), could see the introduction of hefty fees to consumers as brokers move to protect their obligations to the Corporations Act and trade solvently. The only other alternative for this is for a substantial increase in current remuneration offering thus protecting the consumer. Furthermore for smaller lenders, the move to change to a higher upfront only model could effectively bankrupt the institution, as the strain on cashflow management would increase and as we saw with the GFC, a smaller pool of lenders does nothing for competition, a flowing economy and consumer best interests.

Suggestions that the “money for nothing” should be converted to an Ongoing Management Fee similar to as paid in the Financial Planning industry is fraught with danger. The potential conflict created by switching deferred upfront to an ongoing management fee forces customers who do not wish to be contacted into a situation where they will effectively be spammed by the broker, and the broker will be legally required to demonstrate contact to justify payment. This is not a quality consumer outcome for those that actually do not want any further contact after settlement. Furthermore how do you qualify & define the metrics of what comprises ongoing management in scenario’s where clients are no longer in a position to borrow. Eg: high LVR/LMI, SMSF, credit issues, equity issues, security location issues? That only leaves pricing, where the rate on a current facility is repriced for the consumer’s benefit, as viable management option.

Incidentally, most brokers currently actively manage this on behalf of their clients as a value add service to their business. It’s often done at a cost to the broker as no remuneration is received for reviewing pricing post settlement – despite perceptions regarding trail commission- and the process is often convoluted and time consuming. Brokers continually communicate in most instances the benefits to consumers and ensure consumer’s best interests are foremost by making them aware of potential dollar saving options available to them on their loan/s.

Brokers invest heavily in both time and resources to ensure consumers are directed to a lender whose business proposition is most keenly aligned to their expected outcomes. This is no small task given the number of moving parts involved in any mortgage transaction. Brokers make comprehensive enquiries about their client's personal and financial position, their current and future needs and often help prepare the clients for transactions that may occur in the future. Once the lender has their business, it would seem though they all too often become irrelevant to the lender for anything other than a source of ongoing revenue. This situation needs review and urgent attention because once a mortgage settlement has been effected, brokers are rarely privy to that customers' ongoing financial position. The broker has effectively completed their transaction of origination and could argue any expectation of ongoing support would be best served by the lender who holds their business.

As an example, the energy industry has been robustly overhauled and companies such as AGL are now reaching out to their customers and advising them of plans within AGL that may save them money based on their average usage. Telstra business has also recently shown their commitment to providing better consumer outcomes by establishing a point of contact for businesses and conducting annual reviews of their accounts with a purpose towards reducing pricing and providing better client resources. This is an area whereby the banks and lenders should be looking to enhance their customer outcomes, protect their brand and retain loyal customers, however this task often falls to a broker, who completes it, for free as it's in the interests of the consumer, is best practice, and makes smart business sense.

There is no potential consumer benefit from this proposed model of removing trail income. Ongoing management fee as paid in current format is not enough to justify the time and cost to the broker, for tick box compliance which could actually see the introduction of consumer fees as a direct conflict for consumer interests.

However, a review is required for the brokers' remuneration period to take into account the continual erosion of small business profitability which directly affects consumers and competition. With the increased compliance burden and the forthcoming adjustments in this space, effective broad scanning and foresight of the potential impact directly to brokers is required to maintain the service proposition to the consumer.

As a business owner, brokers are legislatively entitled and required to ensure they are adequately compensated for services rendered. If this cost is removed from the lender's optics by changing current remuneration structures and/or moving to a fee for service model, it will not be passed onto the consumer and in fact it will create the legal necessity to instead charge the consumer thus making the cost of quality mortgage advice vastly unattainable for the majority of Australians.

Brokers have always been paid for origination and introduction of consumers to lenders. We provide recommendation and support to consumers as they seek finance and assist them in managing the process. When the NCCP Act was introduced, brokers absorbed the cost of compliance as a testament to consumer first outcomes and providing a higher standard within the industry. A conversation needs to occur now regarding the ongoing nature and implementation of compliance and its direct impact on consumer outcomes as over erroneous compliance limits a broker's ability to provide quality and timely customer solutions in a cost effective manner. It is also pushing our most experienced and knowledgeable brokers into early retirement or career redirection as the burden of compliance is removing the passion for helping people achieve their financial goals.

PROPOSING A NCCP LENDING CODE OF PRACTICE

The introduction of the proposed quadripartite agreement should also see the introduction of reform related to standard industry practices.
Some areas where reform needs to occur are listed below:

- Customer defined top three priorities at point of loan submission. Consumers to select and thus instruct their top three fundamental requirements for applying for finance. This could be the fastest application process, the lender with the highest borrowing capacity or a range of other variables- ie accepts a personal loan as suitable funds to complete a transaction. This will assist the broker to ensure that a best interest duty of at time of application has been complied with.

- A clearer definition of how a customer's requirements and objectives are to be addressed. For example, a customer's interpretation of their requirements is that they 'need money now' which does not align with the legislative requirement of a broker. The broker is required to go through a process that is very confusing to the client in an attempt to address what their best interest is, but the client doesn't understand why this process has to happen when all they want to do is to get a loan to help buy their dream home.

- A broader definition of day to day living expenses, such as basic and discretionary expenses, removing the current issue of individual licensee and lender interpretation. This will also enable a commitment from branch lending staff to abide by the same living expenses verification expectations that are applied to brokers. This should include some common sense understanding that a client may/will change their lifestyle once they take on a set commitment (as historical data demonstrates in Australia) with the client providing some form of acknowledgment they may/will do so.

- A benchmark for file notes to ensure that a broker's complete time is not spent writing protectionist file notes to be compliant. We need broker's to be client facing to ensure consumer outcomes are met. The current nature of pending regulation and overburden of compliance will have broker's writing file notes more than interacting with clients. This is not sustainable for the industry.

- An industry wide standardised benchmark needs to be set recommending how personal loans, credit cards and living expenses are to be addressed when assessing the serviceability of a loan.

- Removal of perceived conflicts of interest by applying a standardised commission rate across all lenders that is only differentiated between residential prime and subprime styles of lending. Collective Bargaining is possible for an exemption with the ACCC for consumer benefit and if legislative consideration is made for this possibility, lenders will not be seen to be colluding.

- Removal of commission tiers between aggregation groups based on volume to create a level playing field and non-conflicted commission system.

- The ability to create new competition by enforcing major banks to provide accreditations to new aggregators and mortgage brokers without imposing volume hurdles. Currently it can take many years for the banks to allow these accreditations, preventing new aggregators from trading and creating a monopoly for existing aggregators and for mortgage brokers to offer a wider range of options for their clients. The aggregator receives a split of the commission paid to brokers for compliance, training, best practice management and thus consumer outcomes. Removing this ability is disadvantaging the customers who use those brokers. Furthermore, residential brokers should not require aggregation to be accredited directly with the lender if volume targets are removed- in the same way that Financial Planner can hold their own AFSL and be directly on panel to the life officer for insurance advice.

- Exit strategy reform relating to not responsible/unsuitable definition pertaining to the substantial hardship definition (NCCP Act 2009 118.3). Whereby pensioners, retirees or the elderly are penalised and become "Mortgage Prisoners or Hostages" for not having a suitable exit strategy without selling their principal place of residence to comply with their financial obligations under the loan contract, which prevents them from refinancing to a lower rate with the exception of a reverse mortgage or by finally having sufficient savings to pay cash to buy their dream or forever home.

- Back book pricing reform to assist "Mortgage Prisoners" whereby a lender is required to offer an existing customer the same rate discount they are offering to new to bank customers, ensuring that a customer doesn't incur the lender and state government costs associated with refinancing (if they can refinance) simply to get a better rate they cannot obtain with their current lender. This is clearly in conflict with a best interest duty.

- Removal of the obligation for a broker's requirement to conduct full compliance on an existing loan, as if the loan was a new to broker/lender in the instance of assisting the client to move from an older more expensive and/or grandfathered product to a cheaper rate and product with the same lender- with no other changes to term or loan limit. This is not a credit critical application and thus given there is no income paid to the broker for doing so, should not incur a compliance cost either. It is also not required for branch staff to complete the compliance and thus it is in consumer's best interest and the spirit of reform that broker's continue to assist with this.

- A resolution to the delay of payment for Upfront Commissions. There is no reason as to why the delay exists, and it cripples a broker's ability to provide efficient service to consumers.

- A resolution to the issue of clawback. For market competitors and consumers alike, it is not a good or fair business practice to sustain an efficient and conscionable marketplace where consumers are priority. In essence, financial handcuffs are placed on brokers by lenders to ensure lenders can recoup the costs of failed or early termination of origination, to the detriment of brokers for a decision beyond their control; brokers cannot nor should not control the client's decisions. It should be noted that many clients decide, in fact are encouraged, to break their current loan contracts by lenders through inducements of both lower interest rates and "Cash Backs".

Clawbacks placed on brokers are an unethical and unreasonable business practice, and in direct conflict with the ACCC Competition and Consumer Act (2010). Furthermore, brokers who are directors of a corporate entity have a legal obligation to ensure they are trading as financially solvent and are making decisions that are in the best interest of the corporation, even if this conflicts with their personal or licensing interests (Corporations Act 2001). There is a well-established conflict of interest here that needs an overhaul. As part of this Lending Code of Practice, we are recommending the removal of a clawback from brokers, at the responsibility of lenders, allowing for the non-conflicting introduction of a best interest duty at the time of application only.

- Removal of the Net of Offset provision instigated by Combined Industry Forum. It is currently causing a conflict of interest far greater to the perceived one it was created to remove and is also at odds with the proposed best interest duty. As discussed in the Quadripartite Agreement, this legal conflict is removed by instruction from the client directly on loan size.

- An introduction to branch staff of lenders to be borne to the same onus of qualifications and requirements as standard for brokers. This will create quality in the role and consistent advice management and assurance across the industry, including best interest duty.

- A review of PEXA, the booking system for the facilitation of interbank transfer for loan settlements. It was supposed to make it easier, and faster for settlements directly benefiting the consumer however there is a prolonged delay to bookings of settlement with incoming and outgoing parties at odds, and no accountability to the process which is a direct conflict to consumer's interests. The outgoing lenders are currently under no enforceable obligation to act with any haste, especially where a refinance is involved.

- A review of the current discharge process whereby a consumer can be made to wait a minimum of three weeks to book in a discharge settlement, due to the Lender's antiquated and historic paper based timeframe to enable the correct documentation to allow settlement. In this digital age it is simply not fair nor in the consumer's best interests to be required to wait three weeks from notification of intent to leave until a booking can be made. Often this causes penalties to a client, especially when a refinance is required to make available the funds to complete a purchase, with the consumer suffering a financial loss due to the outgoing lender not efficiently and effectively enacting settlement. PEXA was established to speed up this process and yet consumers are experiencing the longest delays to settlement in a decade. This is another example of where reform to this industry should be focused.

- Standardised and templated application forms allowing clearer communication and understanding for the clients. Currently it is a confusing and overwhelming process to apply for a mortgage and this is partially due to the cumbersome nature of the individualisation and differentiation of application process for each lender. Streamlining this front end and consumer related process will enable more consumers to understand and engage in the process more readily for better consumer outcomes.

- A requirement for Apply Online (AOL), the main electronic gateway, to ensure accuracy of data mapping from Aggregator software with a monthly or even weekly update instead of the lengthy time between updates/upgrades it currently maintains. Whilst acknowledging its commercial entitlements, the continual issues in AOL can be directly traced to negative consumer outcomes: delays in processing, inaccurate information receipted, incorrect product, feature and document mapping. In this agile and high compliance environment, it is no longer appropriate for the industry to accept the continual issues which hamper our ability to provide best consumer interests.

- A revision of the definition of “charging fees” in the NCCP ACT. Currently and due to Licensee interpretation, brokers who hold a huge volume of knowledge and experience; and are in a position to provide education and support to thousands of Australians, are not able to be compensated for this service of budgeting or debt management, due to the wording of the act regarding the charging of fees as an agent of credit.

- A revision of the wording of the NCCP Act whereby the Quote document and if fees are payable, are to be made payable to the licensee. Given the industry is populated by small business owners, the additional administrative requirement to direct payments via Licensee adds more cost to the channel and thus consumers, and is also extremely confusing for the consumer, given that they feel they have only engaged the broker for services.

- The banning of origination fees by lenders directly to non-credit licence individuals or businesses, (such as Accountants or Real Estate Agents) as this is by nature conflicted remuneration. There is no care of duty with an originator only system, nor any consumer best interest, and therefore no remuneration should be paid.

- Introduction of a CSAT (customer satisfaction) score/survey initiated by the lender, aggregation, and broker at settlement and twelve months post-settlement. It will provide greater transparency of process, provide valuable data and will assist with the optics on the effective remuneration and consumer satisfaction.

CONCLUSION

The time has come for the government, the industry and the public to recognise the profession of mortgage and finance broking as akin to that of solicitors, accountants and financial planners. Whilst Mortgage Brokers may be a younger profession from a historical perspective, the professionalism thus demonstrated and the importance to the consumer and the economy is evident in market share and customer satisfaction. Massive contraction (as is currently occurring within the industry) with the loss of highly experienced & talented professionals will not produce quality consumer outcomes long term. This is the greatest threat to the finance industry we've seen in over a decade and the time to act is now. We need all stakeholders- consumer groups, treasury, our politicians, lenders, industry bodies, aggregators and brokers to come together to generate quality, fair and sustainable industry reform that will serve for generations to come.

APPENDIX A

This is just one example of all of the touch points included with a broker service offering.

1.Lead in existing

Existing client:

- 1.1 Create deal in software – make file notes
- 1.2 Make initial call
- 1.3 Add 2nd applicant
- 1.4 Generate property report to check possible equity
- 1.5 Do general servicing calculator
- 1.6 BS email handover to broker
- 1.7 BR call client and book interview

2.Lead in NEW

Self-generated

- 2.1 Create software profile- make file notes
- 2.2 BS to text BR and set calendar event
- 2.3 BR make initial call
- 2.4 Add 2nd applicant
- 2.5 Add to contacts
- 2.6 BR book interview and send calendar invite

3. Interview prep

- 3.1 BS fill in software
- 3.2 Give client access to portal
- 3.3 Send out docu-sign for credit guide
- 3.4 Doc req minimum of 2 payslips + bank statements + tick off doc req
- 3.5 BR qualify the servicing calc
- 3.6 Have everything on file move to next stage

4. Prepare loan options

- 4.1 BR Create funding report - make file notes
- 4.2 BR Create product comparison + quote - make file notes
- 4.3 Reminder to bring ID
- 4.4 Download Equifax
- 4.5 Check credit file – check authority held
- 4.6 Valuation if applicable AVM/Desktop

5. Interview conducted- BR

- 5.1 Loan commitment- make file notes
- 5.2 Copies of ID uploaded to software
- 5.3 Needs and objectives and product comparison- make file notes

6. Prepare for submission

- 6.1 Living expenses (BR cross check to client declaration and bank statements, make commentary, assess to HEMS benchmark- make file notes)
- 6.2 Lender checklist docs + liability statements
- 6.3 Software complete
- 6.4 Lender Servicing calc
- 6.4 Submit to AOL to provide Lender App form
- 6.6 Valuation ordered with lender
- 6.7 Instruct broker to complete compliance
- 6.7 Submission notes- make file notes
- 6.8 Compliance- make file notes
- 6.9 Send Quote, then once receipted and accepted send Lender and Compliance Forms- Docu-sign where available, wet ink where required

APPENDIX A CONTINUED...

7. Lender app-pending - Allocate to Loans Processor

- 7.1 Submit AOL
- 7.2 Required supporting documents uploaded/emailed to lender
- 7.3 Discharge Authority signed
- 7.4 Submit application

8. Application submitted

- 8.1 Add labels
- 8.2 Update clients on SLA's
- 8.3 Update WIP
- 8.4 Settlement date if known
- 8.5 Check all docs receipted with lender

9. Pre-approval

- 9.1 Send email + letter to client
- 9.2 Add expiry date of pre-approval

10. Conditional approval

- 10.1 Send letter
- 10.2 Check-in tasks

11. Formally approved

- 11.1 Send letter to clients
- 11.2 Notify solicitors
- 11.3 Send discharge authority to outgoing lender
- 11.4 Send gift

12. Loan Docs issues

- 12.1 Notify clients when and how docs will be delivered
- 12.2 Check new accounts set up
- 12.3 Insurance Referrals- Home & Contents and Life/Risk
- 12.4 Print loan docs and assist client
- 12.5 Post/set up doc signing call or interview
- 12.6 Follow up insurance referrals
- 12.7 Drop off signed loan docs/post back

13. Load docs returned

- 13.1 Follow up with lender
- 13.2 Funds in account (manually have clients move close to settlement date)
- 13.2 Liaise with Lender, Purchase Conveyancer and outgoing Lender to ensure file booked in reasonable timeframe

14. Settlement booked

- 14.1 Update settlement date

15. Settled

- 15.1 Update as settled
- 15.2 Add client to nurture program for product expiry and annual review
- 15.3 1 month out from settlement check all okay
- 15.4 6 month out from settlement check all still okay
- 15.5 12 months out from settlement, obtain pricing, property value report and contact client to discuss