

The second defect is the provision to give borrowers the right to seek a stay of enforcement of their mortgage against the lender if the borrower has a dispute with their broker. This interference with lenders' security will: increase the risk premium required by lenders resulting in higher interest rates; increase the premiums on Lenders Mortgage Insurance paid by first home buyers; and increase Professional Indemnity Insurance premiums paid by brokers thereby increasing the cost of broking services.

The third defect is the substantial increase in documentation that must be produced by a broker. This would provide little of value to homebuyers but significantly add to their costs. It is important not to repeat the mistakes with Financial Services Regulation that added so much to costs that many people were priced out of the market for advice from financial planners.

Like most people who work in the mortgage broking industry, I believe that regulation is desirable to ensure high standards of service to borrowers and to provide a mechanism to remove from the industry any operator who is incompetent or dishonest.

An effective and efficient regulatory regime should require brokers to:

- be registered;
- have appropriate qualifications and experience, such as a Certificate IV in Financial Services (Finance/Mortgage Broking) or equivalent;
- enter a written contract to act on behalf of the borrower, specifying the type of loan sought and setting out the broker's remuneration;
- hold adequate professional indemnity insurance; and
- be a member of an external dispute resolution scheme to give borrowers access to an inexpensive and efficient mechanism for resolving complaints.
- Allow records to be kept electronically without the need for paper originals

Mortgage lending is a highly competitive industry with many brokers operating across State boundaries. Even small regulatory differences between States interfere with the efficient delivery of mortgage finance and increase costs to borrowers. For this reason the regulation of mortgage broking should be a Federal Government responsibility.

It is critical that mortgage broking regulation not add unnecessarily to costs as that would reduce the competitiveness of lending arranged by brokers and allow the banks to increase their margins on direct lending.

Yours faithfully



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